THE PERSPECTIVE PLAN FOR TAMIL NADU

OK

REPORT OF THE TASK FORCE ON SMALL INDUSTRIES

1972-84

STATE PLANNING COMMISSION
EZHILAGAM, MADRAS-5

SENTAMIL COLLEGE MADURAI
4043

REPORT OF THE WORKING GROUP

ON

FINANCE AND HIRE PURCHASE OF MACHINERY

TASK FORCE ON SMALL INDUSTRIES

STATE PLANNING COMMISSION
MADRAS-5

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Dt. 10th May, 1972.

I have pleasure in forwarding this Report of the Working Group on Finance and Hire Purchase under the Task Force for Small Industries of the State Planning Commission.

On account of non-availability of detailed statistics regarding the growth and type of small scale industries over the past few years, the Working Group was not in a position to make any reliable forecast regarding the quantum of financial assistance that would be required for small scale industries in the Perspective Plan period. However, a rough projection has been attempted on the basis of the number of small scale industries units registered in the past few years. Generally, it was felt by the Working Group that there would be no difficulty in finding adequate funds for financing small scale industries during the Perspective Plan period. However, the main bottlenecks that are now being encountered are the complicated procedures and delays in the sanction of loans. For this, it was felt that one of the institutions preferably the Tamil Nadu Small Industries Development Corporation should take on the role of liaison organisation in order that the small scale industry is not put to any difficulty in the sanction of various items of financial assistance for starting a new industry. The procedure now adopted for sanction of loans would also have to be simplified to a larger extent, especially in the case of loans under Rs. 1 lakh. Of course, since various financial institutions are involved in the process of sanctioning of loans, it would be difficult to lay down any rigid rules/formulae for such procedures. Each institution would have to review its existing procedures and see how best it can be simplified.

The Reserve Bank of India has recognised only the Tamil Nadu Industrial Investment Corporation (TIIC) as the State Financial Corporation and the Tamil Nadu Industrial Investment Corporation is eligible for refinancing facilities. In view of this, it is felt that the TIIC should increasingly play a more important role in the sanction of loans for small scale industries. In the past, the TIIC has been concentrating on medium and large scale industries and a change has started only in the last year or so. With more emphasis being given to small scale industries, a reconstitution of the Board of Tamil Nadu Industrial Investment Corporation would be necessary giving more representation from small scale industrialists. It is also felt that the Chairman of these financial institutions should be full-time officers, whether they be drawn from the official or non-official side. The working group was also of the

opinion that since Small Industries Development Corporation (SIDCO) has not been given refinancing facilities at present by Reserve Bank of India, the resources on hand of SIDCO for the purpose of giving loans would be only limited. Therefore, it would be better for this organisation to concentrate more on other items of work like raw materials distribution, marketing, liaison work, etc. However, to the extent that the resources are available for loaning purpose, SIDCO should continue its hire purchase activities.

In the coming years, Government would have to give more encouragement to the establishment of small scale industries by technocrats and engineering entrepreneurs. For this purpose, the rules regarding margin money to be contributed by such entrepreneurs would have to be relaxed. At present, an engineering entrepreneur is required to contribute 10 per cent as his contribution. In several cases where there are competent people prepared to start industries, they are unable to do so on account of inability to put in the initial amount. In cases where the financial institution finds the project viable, the condition regarding margin money would have to be relaxed suitably. Here again, we cannot lay down any strict rules in this regard and would have to leave it to the discretion of the financial institution to do it in deserving cases. Another suggestion that has been made by the Working Group is that engineers who have put in a few years of service in Government could be given leave for a period of one year to enable them to start a small scale industry. The subsistence allowance given to them during the leave period could be treated as loan to the entrepreneur and recovered in suitable instalments.

The Working Group has also made several recommendations regarding "Incentives" to be given to small scale industries. These recommendations have been arrived at after studying the pattern of incentives adopted in various State Governments.

I sincerely hope the Planning Commission would find this report useful in its deliberations. I would like to place on record my thanks to all the members of the Working Group for their unstinted co-operation during the discussions of the Working Group. Thiru R. Muthukrishnan, Secretary of the Task Force on Small Industries has also been of valuable assistance to me right through and but for his perseverance and hard work, this Report could not have been prepared in time. I should also like to convey my sincere thanks to Thiru N. Mahalingam, Chairman of the Task Force for the opportunity he gave me to discuss the draft Report before finalisation and the valuable guidance and suggestions that he has given at every stage.

(Sd.) K. DHARMARAJAN,

Convenor.

CHAPTER I.

INTRODUCTION.

1·1. In conformity with the "Directive Principles" of the State policy, enunciated in the Constitution of India, to promote the welfare of the people, Tamil Nadu Government have undertaken planned economic development in the State through the Five-Year Plans and Annual Plans. In furtherance of these principles and in order to help Government to implement its policies effectively, by more efficient utilisation of the material, capital and human-resources within the State as far as possible and outside, the Tamil Nadu Government have constituted a State Planned Economic Development for the next decade 1975–76 to 1984–85. This plan will enable us to draw up an estimate of the investment needed in the various sectors and areas of economic activity in order to achieve the desired rates of growth.

1·2. The State Planning Commission has constituted 15 Task Forces, each Task Force undertaking the drawing up of a long-term plan in one important sector. One of the Task Force exclusively deals with the development of Small-Scale Industries. This Task Force is under the Chairmanship of Thiru N. Mahalingam, B.Sc., M.I.E., Member of the Planning Commission and has senior representatives of the Department of Industries, Finance and other connected branches as its members and a middle level officer in the cadre of Deputy Director as its Secretary. Under this Task Force, Working Groups dealing with specific problems have been constituted. These Groups consist of Government Officers both from the Central and State as well as other competent experts in the field, to assist and advise the Task Force in drawing-up the sectoral plan.

1·3. Under the Task Force on Small Industries, nine Working Groups have been constituted, on a functional basis. This report is that of the Working Group on "Finance and Hire Purchase of Machinery" which was given the task of studying the financial assistance extended by various institutions to small-scale industries.

CONSTITUTION.

The Working Group was constituted with the following members:—

1. Thiru K. Dharmarajan, I.A.S., Deputy Secretary (Finance), Secretariat, Madras-9 —*Convenor*.

2. Thiru R. Ratnam, Director, Messrs. Sundaram Motors, No. 37, Mount Road, Madras-6—*Member*.

3. Thiru U.K. Sharma, Deputy Chief Officer, Industrial Finance Department, Reserve Bank of India, Madras-1—*Member*.

4. Thiru M.S. Parthasarathy, President, FASII, No. 10, G.S.T. Road, Madras-32, —*Member*.

5. Thiru S. Rajaratnam, President, Tamil Nadu Industrial Co-operative Bank No. 7, II Main Road, Madras-28—*Member*.

6. Thiru A.V. Giri, Managing Director, Messrs. Sakthi Pipes Limited, 49, St. Mary's Road, Madras-18—*Member.*

7. Thiru R. Muthukrishnan—*Secretary of the Task Force.*

Besides, the following members were co-opted by invitation after the first meeting.

1. Thiru C. S. Subramanyam, Deputy Secretary, Tamil Nadu Industrial Investment Corporation, Madras-2.

2. Thiru R.M. Chidambaram, Development Officer, Tamil Nadu Small Industries Development Corporation, Madras-6.

3. Thiru P. Muthiah, Deputy Marketing Manager, National Small Industries Corporation Limited, Madras-6.

4. Thiru R. Narayanan, Chief Economist, Indian Overseas Bank, 151, Mount Road, Madras-2.

5. Thiru L. Ramachandran, Superintendent, Small-Scale Industry Cell, Indian Bank, Madras-1.

In the last three meetings of the Working Group, Thiru A. M. Swaminathan, I.A.S., General Manager, of SIDCO took the place of Thiru R.M. Chidambaram.

1·4· *Terms of reference.*—Terms of reference, as drawn by the State Planning Commission were broadly defined as follows :—

1. to make an assessment of the material, capital and human-resources, as are found to be deficient in relation to State's requirement.

2. to formulate a long-term plan for the most effective and balanced utilisation of the State's resources.

3. to indicate factors which are tending to retard the economic development and to determine the conditions which could be established for successful execution of the plan.

4. to make ancillary recommendations as appear to be appropriate either for facilitating the discharge of duties assigned to it or on a consideration of the prevailing economic conditions, current policies, measures and development programmes.

Keeping in view the broad objectives indicated above and considering the "functional' basis on which the Working Group was constituted, it was decided by the Group that they would concentrate on the working of the institutional finance as well as the performance of the State/Central agencies assisting Small-Scale Industries both in Finance and Hire Purchase of Machinery. The emphasis of the study was the relative role of various financing agencies and organisational and procedural changes necessary to promote the small scale sector in the State. Since the rate of growth of various types of industries was not furnished to the Group it was not in a position to study in detail the financial requirements of various projects under the small Scale Sector and has decided to make only general recommendations concerning the development of small scale industries. The Group has also considered the question of extending certain incentives to the Small Scale Industrias sector.

1.5. *Meeting.*—The Working Group held five meetings at Madras on 7th December 1971, 21st December 1971, 25th January 1972, 10th March 1972 and 6th April 1972 and examined the following subjects. This Group also met at Madurai on 26th February 1972 and held discussions with the representatives of the District Small Industries Association.

I. *Long-term and Medium-term lending Institutions/Agencies.*—(*a*) Loans under State aid to Industries by Department of Industries as block loans.

(*b*) State Financial Corporations.

(*c*) State Small Industries Development Corporation Limited.

(*d*) Medium-term loans and instalment credit system by the 14 Nationalised Banks and State Bank of India.

(*e*) Participation in equity capital.

(*f*) Capital loans by the Industrial Co-operative Bank and others.

II. *Short-term Loans.*—(*a*) Commercial Banks.

(*b*) Industrial Co-operative Banks.

III. *Supply of machinery on hire-purchase system.*—(*a*) State Small Industries Development Corporation.

(*b*) National Small Industries Corporation Limited.

(*c*) Deferred payment by Nationalised Banks in rediscounting of bills by IDBI.

IV. *Built-up factory accommodation.*—(*a*) Department of Industries.

(*b*) Tamil Nadu Small Industries Development Corporation.

V. *Special concessions to small industrial units in backward areas.*

VI. *Incentives given to small Industries,*—(*a*) By Tamil Nadu.

(*b*) By other States.

CHAPTER II.

GROWTH OF SMALL-SCALE INDUSTRIES IN TAMIL NADU.

2·1. Comprehensive data on the size and growth or small-scale industries particularly in Tamil Nadu was not readily available. Therefore, the number of units registered with the Director of Industries under the system of voluntary registration of small units was taken as a rough indication of the rate of growth under this sector. Since the registration is voluntary, the statistics of registration enabled the Group only to have a rough idea of the rate, of growth but did not throw light on the capacity of various types of industry and the growth of such industries. Since investment, both fixed and working capital vary widely in different types of industries in the small-scale sector, it was impossible to correlate the investment with the output of the various units in the small-scale sector. An attempt has been made to collect the Statistics of the registeration of Small-scale units in the past few years , a statement of which is furnished in annexure I (both district-wise and total). However,it is very inportant to mention here that, in addition to these registered units under the Director of Industries, there are certain sectors of non-house-hold and non-factory enterprises most of which have not been included in the books of the Directorate of Industries. In the absence of a comprehensive picture of the growth of small-scale industries in the past, any projection of the growth rate in the future has necessarily to be a rough guess. But certain investigations by the Development Commissioner, Small-Scale Industries, have brought to light that any type of Industry, either house-hold or non-house-hold, with or without factory accommodations might be required to have minimum finance of at least Rs. 20 to 25 thousands as to have an output of about 7 times on the fixed investment on average, being the economical basis of return. With the available figures on the registered SSI units, it is seen that the growth rate in the last five years were on an average of 12 to 15 per cent per year, except in 1969 when a number of small units were registered for the manufacture of stainless steel house-hold wares, most of which are at present found to be defunct for want of required raw material Excepting this, the Working Group observed more or less a uniform growth of SSI units in the recent past. This growth rate has also been found to be commensurate with the performance of the nationalised banks in the direction of assistance for term and working capital loans.

2·2. The Working Group has assumed this growth rate of 15 per cent for its future projected financial requirements through various institutions. The financial requirements worked out on this basis for the period 1975–76 to 1984–85 are given in annexure X.

CHAPTER III.

ROLE OF FINANCING INSTITUTIONS.

3·1. 'Finance' has long been recognised as one of the major factors of input contributing to the progress of small-scale sector. Though various measures for liberalising the flow of credit on easy terms to this sector has been recommended by the State Small Industries Board and easy terms for assistance have been formulated by the Commercial banks after nationalisation, there are still various impediments in the flow of finance to Small-Scale Industies in this sector are not in a position to satisfy the stringent conditions laid down by the Institutional Agencies and the second is the all pack of information among many entrepreneurs regarding the procedure involved.

3·2. Finance required for any unit will be of two types namely, (a) long and medium term loans for block capital either by way of cash or supply of machinery or construction of worksheds, (b) short term loans towards working capital to hold raw material and to meet the running expenses of the industry.

3·3. Of late there has been a fair amount of loans given to the small-scale industries; but still much remains to be done in the sector even to maintain the same rate of growth of small-scale industries.

3·4. As far as Tamil Nadu is concerned, the primary institutions responsible for rendering financial assistance to the small-scale sector are as follows :

(*a*) Department of Industries and Commerce for block loans under the State Aid to Industries Act.

(*b*) Tamil Nadu Industrial Investment Corporation for both block loans as well as for equity participation.

(*c*) Commercial banks for term loans and working capital.

(*d*) Rediscounting of bills for machinery through I.D.B.I. (apart from its main work of co-ordinating the activities of the nationalised banks and refinancing them).

1. *State Aid to Industries.*

3·5. Under the provisions of the Industries Act, 1922, State aid is granted to Small-Scale Industries by various levels of officers in the Industries Department within the limits indicated below :

Sanctioning authority.	*Limit of sanction.*
(1)	(2)
Assistant Director of Industries	upto Rs. 5,000
Regional Deputy Director of Industries	upto Rs. 7,500
Joint Director of Industries	upto Rs. 10,000
Director of Industries	upto Rs. 25,000
Director of Industries with the recommendation of the Board ..	upto Rs. 50,000
Government of Tamil Nadu with the recommendation of the Board	upto Rs. 1 lakh.

3·6. Loans are granted under State aid to at a low rate of interest as compared to that charged by other commercial financial institutions, i.e., ½ per cent over the net borrowing rate of Government as on the date of sanction and in any year till now the rate has been below 8 per cent. Concessions were available for industrial co-operatives to the extent of 1 per cent. The application form for sanction is found to be simple for loans upto Rs. 5,000 and for cases exceeding Rs. 5,000 slightly detailed in order to cover essential information.

3·7. A statement showing the number of applications processed and value of the loans granted in the last 2 plan periods is indicated in Annexure II. The break up of loans sanctioned by various levels of officers in the Department in the last 5 years can be found in Annexure III. Necessary funds were made available to the Department from Government's budget from time to time, but of late the budgetary allocation has not been sufficent to meet the requirements of SSI units. It is observed from the past performance that major cases seeking State aid assistance for capital requirements under this scheme has been less than Rs. 10,000.

3·8. Under State Aid to Industries Act, loans to the extent of Rs. 32·5 lakhs were disbursed to about 1,230 cases in 1970–71 as against Rs. 24·90 lakhs for 1969–70 and 26·21 lakhs for 1968–69. The statement giving industry wise disbursement details is annexed at IV. The average expenditure in the last three plan periods were noticed to be about Rs. 110 lakhs, major portion having been utilised for loans for application requiring assistance below Rs. 5,000. The State has now set apart a sum of Rs. 200 lakhs for the Fourth Plan which should be sufficient to meet the demands on the same rate of growth of small industries as in the past namely about 15 per cent.

3·9. The Working Group note of the Government orders entrusting the work of the State aid to Industries to Tamil Nadu Small Industries Development Corporation Limited effective from 1st April 1972 which was hitherto performed by the Directorate of Industries and Commerce. Under these orders, the District Committees set-up under the chairmanship of Collectors will sanction State aid loans upto Rs. 25,000 and loans above this limit upto Rs. 1 lakh will be sanctioned by the Board of Directors of SIDCO.

2. *Tamil Nadu Industrial Investment Corporation.*

3·10. The Tamil Nadu Industrial Investment Corporation (T.I.I.C.) set-up by the State Government under the Company's Act on 11th September 1948, functions as a State Financial Corporation. The Government of Tamil Nadu holds the majority of the shares of the Corporation. The I.D.B.I. also contributes to its share capital. The State Financial Corporations are expected to play at dynamic role in the matter of developing small acale and medium scale industries in the State. The following types of assistance are provided.

(*a*) Cash loans for acquiring fixed assets, for repayment of prior debts and for margin in working capital;

(*b*) guaranteeing loans raised by industrial concerns from Commercial Banks;

(*c*) guaranteeing and counter guaranteeing deferred payment contracts with machinery suppliers and for purchase of machinery on instalment basis ; and

(*d*) underwriting and subscribing to the shares of industrial units in the corporate sector.

3·11. Since its inception in 1949 upto June 1970, the Corporation has received 764 applications for Rs. 6,172·5 lakhs and sanctioned loans to 419 cases amounting to Rs. 3,621·39 lakhs. The Industries most benefited by the Corporation are Textiles, Basic Metal Industries, Food manufacturing and Machinery Manufacturing units. Little attention was paid by T.I.I.C in the past to the financing of small scale units till 1969–70 as could be seen from the performance the total amount of cash loans sanctioned from inception amounting to Rs. 120 lakhs only. But during 1970–71 there is evidence of this Corporation having taken greater interest to assist the field of small scale units by sanctioning Rs. 118 lakhs in the course of one year. The outstanding advances to small-scale units in 1971 amounted to only Rs. 138 lakhs and constituted 7·8 per cent of the total (being the last among all State Financial Corporations) as against all India average of 42·2 per cent. The T.I.I.C. has provision to raise the required funds from open market by way of bond floatation and also by obtaining refinance from I.D.B.I. without any difficulty and there is no paucity of funds at present. In view of this it is essential that T.I.I.C. should play a dominant role in the matter of providing block capital requirements for S.S.I. units on long-term loans. It is seen that there had been certain relaxations recently in the terms and also certain concessions with regards to the financing of small scale industries as detailed below :—

(*a*) reduced rate of interest at 8½ per cent from usual lending rate of 9¾ per cent per annum.

(*b*) increased eligibility of loan value on security.

(*c*) exemption of "stamp duty" on mortgage.

(*d*) reduction in investigation fee being 0·5 per cent of the loan with a minimum of Rs. 250 and maximum of Rs. 500.

(*e*) Separate Committee set-up in sanctioning loans to small scale industries upto Rs. 2 lakhs without reference to the Board.

These concessions would no doubt ensure a large flow of applications from the small-scale sector.

3·12 The performance of this Corportion, indicating effective sanctions from inception, i.e., 1st September 1949 to 30th June 1971 is furnished in the annexure V. A comparative statement of sanctions from 1961—62 till 31st December 1971 giving total transactions in number and value as well as the attention to small-scale industries year-wise is also furnished in the annexure VI (*a*) and (*b*).

3·13. It is also noted that this Corporation has extended further concessions to small scale industrial units set-up in backward areas (selected taluks and the districts as industrially backward areas as identified by the Government of Tamil Nadu—*Vide* G.O. Ms No. 1542, dated 24th June 1971) as follows:—

(*a*) Concessional rate of interest at 7 per cent as against 8½ per cent for S.S.I. units in general areas and 9·75 per cent for other cases.

(*b*) Initial moratorium increased to four years as against two years in other cases,

(*c*) the amortisation period increased to 10 years from 8 years.

(*d*) commitment charges reduced to ½ per cent from 1 per cent.

(*e*) under writing commission reduced to 2 per cent from 2½ per cent.

(*f*) New schemes to financially assist the Technocrates who have little or no means to start industries.

Concessions for SSI units set-up in backward areas.

3·14. In the normal course, it is unlikely that backward areas would attract the attention of private entrepreneurs, in view of the advantages of setting up units in advanced regions, having good communication, transport and marketing facilities. In order to create the desired situation and also to have dispersed on the concentrated growth so industries in advanced areas, it was found necessary by Government of India to offer certain special incentives to the entrepreneurs in the backward areas and the details of the concessional finance announced by IDBI are appended (*Vide* annexure VII). The Tamil Nadu Government in G.O. Ms. No. 1542, dated 24th June 1971 have declared the following eight districts in the State as industrially backward to avail these concession announced by IDBI.

1. South Arcot.
2. Madurai.
3. Kanyakumari.
4. Tanjore.
5. Tiruchirappalli.
6. Ramanathapuram.
7. North Arcot.
8. Dharmapuri.

In this G.O. the following selected taluk areas have also been qualified by outright grant or subsidy amounting to 1/10 of the fixed capital investment for new SSI units having investment of not more than 50 lakhs.

Ramanathapuram district—

1. Ramanathapurm.
2. Mudukalathur.
3. Sivaganga,
4. Paramakudi.
5. Thiruvadanai.
6. Thirupathur.

Madurai district—

7. Melur.

Tiruchirappalli district—

8. Thirumayam.
9. Alangudi.
10. Kulathur.

The development of small scale industries in general, particularly, in backward areas involve considerable effort in identifying potentialities of entrepreneurs. The financial institutions, hence, should play an energetic role in assisting industries announced by IDBI. The TIIC has also agreed to extend these concessions which have been narrated earlier in this report.

3. *Nationalised Banks for Working Capital facilities.*

3·15. There has been a substantial progress in the matter of credit facilities to small scale industries extended by Commercial banks in the State in the recent years. They are providing "term loans" for meeting fixed capital requirements and various types of working capital facilities. They are considerate in the matter of margin requirements and consider granting loan facilities wherever necessary. The banks also have schemes for financing technicians entrepreneurs and rural project industries. The banks charge a concessional rate of interest in respect of advances to SSI units. Refinance facilities at bank rate are provided by RBI in respect of incremental advances for working capital provided by commercial banks and full refinance is provided by IDBI on advance to SSI units covered under the C.G.S.

The position of advances to small scale units by Schedule commercial banks in respect of Tamil Nadu is given below:—

As on	*Number of units assisted.*	*Limits sanctioned.*	*Balances outstanding,*
		(RUPEES IN CRORES).	
June 1968	5,251	46·60	26·22
June 1970	10,515	89·88	50·56
March 1971	10,989	97·15	58·69

3·16. As on 31st March 1971, the Scheduled Commercial Banks in the country have assisted 1,03,550 units with credit limits aggregating Rs. 8,58·27 crores, the outstanding balances being 493·14 crores. The outstanding advances in Tamil Nadu amounted to 11·9 per cent of the total for the country. While, the performance of the commercial banks in advancing loans to SSI units is indicated above, it was necessary to find out the part played by the State Bank of India and its sub-sidiaries 14 nationalised-banks and other banks (both foreign and local banks.). The break -up of the limits granted by these groups at the end of March 1971 is placed below:—

From July 1970 *to March* 1971.

	Number of units.	*Limit sanctioned.*	*Balance outstanding.*
		(RUPEES IN CRORES).	
S.B.I. and sub-sidiaries	3,540	39·63	27·59
Fourteen Nationalised Banks	6,128	46·46	23·88
Foreign and other Banks	1,321	11·06	7·22
	10,989	97.15	58·69

3·17. The advances to SSI units covered under the 'credit guarantee scheme' administered by RBI amounted to Rs. 85·06 crores as on 31st March 1971, in respect of 'TAMIL NADU'. It is noticed that there had been a definite improvement with regard to the working capital facilities for small scale units after nationalisation and the commercial banks are likely to continue their leading role in the field of small scale industries. As these banks have the refinance facilities from RBI, there is normally no dearth for funds for sanction to the small scale sector.

4. *Industrial Development Bank of India*

3·18. IDBI was set-up in July 1964, as a wholly owned subsidiary of RBI for providing credit and other facilities for developmentof industries and for matters concerned therewith. IDBI functions both as a primary lending institution for industrial concerns as well as an apex primary lending institution. It provides direct assistance to industry in the form of loans besides underwriting shares and debentures and co-ordinating loans on deferred payments. It also rediscounts bills assigned out of sale of indigenous machinery and refinance industrial term loans and export credits. It co-ordinates the activities of other term financing institutions and subscribes to the share and bonds of State Finance Corporations.

3·19. Though the facilities mentioned in pre-paragraph are meant for all types of industries, the small scale industries are expected to avail the benefit of these facilities through commercial banks.

B. Hire Purchase of Machinery.

3·20. The other types of assistance to encourage small scale units is the supply of the required equipments to the industries on remittance of the marginal value prescribed as per the terms of the institutions concerned and recovering the cost in easy instalments with reasonable rate of interest. The following institutions are concentrating in this direction in Tamil Nadu.

1 National Small Industries Corporation Limited.

2. Tamil Nadu Small Industries Develpoment Corporation Limited.

3. TIIC and banks extending deferred payments assistance for which rediscounting facilities from IDBI are available.

1. *National Small Industries Corporation Limited.*

3·21. The National Small Industries Corporation is participating in the scheme for supply of machinery on hire purchase since 1956. The services of this Corporation are available exclusively for small scale units. Both imported and indigenous equipments are supplied. In the initial stage, some difficulties were experienced with regard to the processing of applications. However, with the simplification of the procedure and streamlining of the scheme, obstracles have been eliminated and there is good demand from SSI units for supply of machinery from this Corporation. The applications are processed and sanctioned through the investingations by the field staff of the Industries Department of the concerned State.

The terms, as existing on date, are as follows :

(*i*) Each SSI unit can have machine upto a value of not exceeding Rs. 4 lakhs of indigenous machinery or Rs. 5 lakhs (CIF) of imported machinery.

(*ii*) 90 per cent on the indigenous medicines and 95 per cent on imported machines are financed by NSSC.

(*iii*) The loan is repayable in not more than 7 years.

(*iv*) Rate of interest charged is 9 per cent.

3·22. The statement of the year-wise machines delivered to Tamil Nadu in the last decade is given in Annexure VIII. It is observed that from the inception till 1971, SSI units in Tamil Nadu availed machines (both indigenous and imported) to a total value of Rs. 5·9 crores as against the total value of machines supplied to all the States being approximately Rs. 46·2 crores. This works out on an average 12·75 per cent investment in Tamil Nadu by NSIC. However, in 1970-71 SSI units in Tamil Nadu availed machinery worth of only Rs. 60·3 lakhs out of the total investment of Rs. 6 crores on all-India basis. This indicates a drop in the investment share in Tamil Nadu. There is enough scope for industries in Tamil Nadu to utilise the services of this Corporation in coming years to a larger extent.

2. *Tamil Nadu Small Industries Development Corporation Limited.*

3·23. This Corporation was formed in 1970 for rendering assistance to SSI units mainly on distribution of scarce raw materials and supply of indigenous machinery under hire purchase scheme. It is gradually expanding its activities for construction of industrial sheds to small scale units on hire purchase basis. Under the hire purchase of machinery, from inception (15th March 1971) this corporation has received 533 cases to a total value of Rs. 283·96 lakhs and disposed as on 13th March 1972, 149 cases for a total value of Rs. 74·43 lakhs. The number of applications rejected and returned to the parties is 158. 226 cases are under scrutiny. The Corporation has its own technical cell as well as hired experts to investigate the applications for supply of machinery.

3·24. The following are the liberal terms under which the assistance is extended:—

1. Maximum ceiling of Rs. 3 lakhs value of machines in total for one unit and one lakh for each machine.

2. 90 per cent of the value exceeding Rs. 25,000 and 95 per cent for lesser value of the cost of machine is paid.

3. Repayment within seven years inclusive of 1 year moratorium period.

4. Interest rate fixed at 2 per cent over the rate at which the Corporation has arranged funds. This Corporation has no refinance facilities from RBI or IDBI and has to depend only on the borrowed finance from Banks and from open market.

3. *Discounting of bills by IDBI and Commercial Banks.*

3·25. In addition to the organisations namely NSIC and SIDCO, the SSI units could also avail the finance facilities through banks for purchase of machinery by rediscounting of concerned bills and with easy repayment terms. Separate figures of the performance of the banks, in the direction, are however not readily available.

C. Construction of Worksheds by SIDCO

3·26· The principle objective of the ' Industrial Estate ' is to enable the small-scale industries to have common facilities like a good industrially developed site, electricity, water,railway siding facilities,communication facilities, and other technical service facilities from adjoining units. But in the industrial expansion, it is not possible to have ready sheds for all SSI units and hence developed plots are allotted to specified units to have their own pattern on construction or common pattern of construction designed by State organisations. The finance required for these sheds in developed plot also cause problems to the small-scale units. Apart from the schemes of development of industries in establishment of Industrial Estates (National sheds, rural sheds and co-operative sheds) the Tamil Nadu Small Industries Development Corporation has come forward to assist the small industries in the construction of sheds with required space either in the land allotted by the Government or in their own land. These terms are that a marginal money of 10 per cent is collected in lieu of which even hypothecation of the applicant's land, if any, is also accepted. The shed is designed and constructed as per the choice of the applicant subject to the suitability to the health and town planning conditions and the amount is recovered in easy instalments not exceeding 10 years having moratorium period of 2 years. The interest charged is also very reasonable,i.e., 2 per cent over the rate at which the amount is borrowed by this Corporation. These facilities have accorded good encouragement to small scale industries. The number of applications so far received by SIDCO is 91. SIDCO has sanctioned for construction up to 31st December 1971, 16 sheds for a total value of Rs. 6·65 lakhs.

CHAPTER IV.

INCENTIVES TO SMALL-SCALE INDUSTRIES.

4·1. In the context of development of small-scale industries in the recent years, each state has extended certain incentives in financial assistance, infrastructure facilities, and marketing of the products of small industries. These incentives were particularly essential to meet the growing competition of the products of medium and large scale industries and each State was of the view that unless such incentives are made available, the growth of small industries will be very much hampered.

4·2. The Working Group has also taken special note of need for the development of small-scale industries in backward area and in order to create definite improvement of the working of units in under developed areas, it has found necessary to offer some special incentives to the entrepreneurs in the matter of fixed assets, supply of developed plots, machinery equipment, etc., in the backward areas. Therefore, the Working Group has made an intensive study of the various types of incentives followed by other States, both in the well-developed areas as well as under developed areas, to make suitable suggestions for implementation in Tamil Nadu.

4·3. A comparative statement giving details of the types of 'incentives' given by industrially advanced States like Maharashtra and Punjab and other southern States to the small industries sector is furnished in annexure IX. It is observed that some of the States have a good pattern of 'Incentives'. Even though initially, these States, may incur some extra eopenditure on these incentives, it is expected that after sometime, when the units are established, the States are to have more benefits by way of additional employment potenatiality and accrual of taxes on the turnover of the units. The Working Group studied the various incentives and the recommendations of the Group have been given in Chapter V.

CHAPTER V.

RECOMMENDATIONS.

5·1. After having studied the role of various institutions set-up by the State and Central Government for financing and assisting Small-Scale Industries, this Working Group has decided to forward the following recommendations to the Task Force on Small Industries for consideration, keeping in view the present policies and pattern of assistance drawn by Government from time to time. The recommendations are grouped under varios aspects viz,. availability of finance, relative role of financial institutions, organisasional pattern, procedural changes, need for reorganisation of certain institutions, provision of separate institutions, special schemes for Technical entrepreneurs, incentives necessary for rapid growth of Small Scale Industries.

1. Availability of Finances from the Institutions for term loan, working Capital loan, loan for supply of machinery and construction of worksheds.

(a) Department of Industries.

5·2. From the past performances in sanctioning 'Term Loan' under State Aid to Industries Act, it is seen that the major share of expenditure has been utilised for applications requiring assistance of less than Rs. 5,000 per unit. The Working Group is of the view that the State Government should restrict sanction of loans under State Aid to Industries upto Rs. 10,000 in order to help utilisation of the meagre budgetary resources available for state aid, to more number of cases really assisting smaller units in the Small-scale sector.

(b) Tamil Nadu Industrial Investment Corporation Limited.

5·3. This organisation, having refinance facilities from the Reserve Bank of India could consider sanctioning 'term loan' for Small Scale Industries for value exceeding Rs.10,000. This will also give relief to the state resources since the entire amount sanctioned as loan find refinance from Reserve Bank.

5·4. Among the other activities, this Corporation is extending facilities of a loan on deferred payments guarantee. But it has paid little attention to this from its inception (from 1949 to June, 1971) and has till now only spent a sum of Rs. 1·27 lakhs. In view of the refinance facilities available for this institution the Working Group feels that TIIC should play the leading and dominant role in the matter of financing Small Scale Industries.

(c) Tamil Nadu Small Industries Development Corporation Limited.

5·5. The Government in their recent orders permitted SIDCO to sanction loan upto Rs. 25,000 with the assistance of the District Level Committee and cases exceeding his value upto Rs. 1 lakh to be sanctioned by the Board. In case the functions of the state aid to industires are entirely taken over by SIDCO with the above arrangements may consider granting loans not exceeding Rs. 10,000 for each case and leave the rest of the cases to the care of TIIC

5·6. In the field of helping small scale industries in supply of machinery under hire-purchase system, it was felt that SIDCO. was being faced with the problem of paucity of resources. Further, unlike TIIC., this institution cannot avail itself of refinance facilities. In view of these factors and in view of the fact that the National Small Industries Corporation is also extending hire purchase facility, SIDCO. may utilise its meager resources more for raw material stocking, construction of worksheds, etc. However in view of the creditable performance made by SIDCO in the field of hire purchase in the last one year it was felt that SIDCO. should also be permitted to continue its hire purchase programmes, subject to its finding required finance by itself through bank borrowings as well as out of funds sanctioned by Centre or State for specific projects. This would also have the advantage that the small scale units requiring various types of assistance like finance, machinery raw mateial and technical guidane could get most of them under one roof through SIDCO. Besides, when it takes nearly six to eight months for National Small Industrial Corporation to get the final sanction of the applications from its Head Office at Delhi, SIDCO in view of its simplified processing of application could finance the eligible cases within a reasonable period of three to four months. The present pattern of assistance in construction of worksheds, either in the developed plot, or, plot owned by industries, undertaken by SIDCO is very promising and is liberally termed to suit the finance small scale industries, viz., 5 per cent margin money and 2 per cent services charges repayable in 16 half yearly instalments after 2 years of moratorium period. There is enough scope for this organisation to get more applications in coming years. In spite of SIDCO not having refinance facilities, the Government could make available necessary funds from the State budget from time to time for construction of worksheds ; but as far as possible resources must be tapped from commercial banks for this purpose.

(d) National Small Industries Corporation Limited.

5·7. While this Corporation exclusively assists Small Scale Industries in the suppy of machinery under hire purchase system and has contributed as much as Rs. 60 lakhs in 1970–71, the investment in the recent period was poor. It is felt that by way of co-ordinated activities through SIDCO and TIIC this Corporation should also be in a position to have more investments in Tamil Nadu, in the coming years, it would also be necessary in for NSIC to conduct regional campagins in order to canvass for applications.

Nationalised and Commercial Banks.

5·8. After studing the contribution of the commercial banks to the growth of small scale industries from the time some of them have been nationalised, the Group is of opinion that they have played a fairly encouraging role and the extent of the working capital assistance from these banks amounted to as much as Rs. 97·15 crores as on March, 1971 to Tamil Nadu, it is felt that there are good prospects from small scale industries to avail increased financial assistance from these banks in view of the necessary refinancing facilities available to these banks and that the funds available with them should be sufficient to meet the requirements of Small Scale Units for working capital facilities during the Perspective Plan Period.

(f) Participation of State Government in the growth of industries in backward areas.

5·9. In respect of units set-up in backward areas defined by Tamil Nadu Government in G.O. Ms. No. 1542, dated 24th June 1971, the Industrial Development Bank of India refinances the State corporations at $3\frac{1}{2}$ per cent interest with the conditions that the rate of interest charged to the ultimate borrower should not exceed 7 per cent as against the normal rate of $8\frac{1}{2}$ per cent charged by T.I.I.C. In such cases, as already recommended by the Reserve Bank of India on an earlier occasion, the Tamil Nadu Government as a measure of its participation to promote industries in backward areas, could grant a subsidy of one per cent to the state financing institutions for the loans financed in backward areas and thereby this rebate could be passed on to the beneficiary, bringing down the effective rate of interest to the industrial units in backward areas to 6 per cent. The Working Group recommends that this subsidy should be considered for payment of finance in all cases sanctined to industries in backward areas.

II. Organisational and Procedural Changes Required in the Financial Institutions.

(a) Tamil Nadu Industrial Investment Corporation.

5.10. This Corporation in its efforts to increase its attention for assisting small scale industries in coming years should have more representatives in its Board from the Small Scale sector. It should also have a full time Officer, as Chairman either Official or non-Official exclusively to attend the functions of the Corporation. Its Main activities will also confine to co-ordination of the applications for the small scale units requiring assistance for working capital, share capital, and equity participation, with the other financial agencies like Commercial and Nationalised banks helping the SSI units. The applications for the sanction of loans by this Corporation should be simplified calling only for essential details and the forms can be prescribed for various slabs of assistance, say, below Rs. 50,000 (in which case the cash flow statement and balance sheet should not be insisted) and above Rs. 50,000. In this connection, the Corporation may perhaps follow the guidelines outlined in the report of the Committee on 'Special Schemes' of the banks and model applications forms contained therein. This Corporation should have its own technical cell for scrutiny of loan applications below Rs. 1 lakh. Technical opinion of an outside technical expert need be taken only when the loan amount is large and where the project is of a special technical nature. Apart from two branches now working at Madurai and Coimbatore, this Corporation should arrange to extend its activities in other important stations also in order to have an easy approach by small scale units. The process of applications from the small sclae units could be conducted in joint discussions with the party and the representatives of other commercial banks helping the same unit for 'working capital' facilities.

(b) Nationalised and Commercial Banks.

5.11. While it is noticed that the assistance given by these banks to small scale industries after nationalisation is fairly encouraging, the working group is of opinion that the banks can simplify the procedure of sanctioning the loan by adopting common and simple application forms calling for only essential details. It should be the endeavour of these banks to process the applications for working capital within 30 days and for block capital within three months.

(c) Tamil Nadu Small Industries Development Corporation Limited.

5.12. There are different organisations to help small sclae industries for same type of assistance. In such cases, in order to have consortium arrangements, it is suggested that if SIDCO at times, not able to meet the funds needed for certain cases, could co-ordinate such cases with TIIC, N.S.I.C. and nationalised banks and help the small scale industries in the early processing of the applications.

(d) National Small Industries Corporation.

5.13. All the cases for the supply of machinery have to be finally sanctioned at Delhi which takes nearly 6 to 8 months until which time most of the small scale industries will not be in a position to wait. The NSIC should therefore, arrange to decentralise the powers of sanction to the regional authorities so as to quicken the process of sanction. For this purpose, perhaps, some ceiling should be fixed for the regional authorities and cases exceeding the ceiling could be referred to the Head Office, at Delhi, for final sanction. The NSIC should also arrange to undertake regional campaigns along with other financial institutions and canvass as many applications as possible and the applications so canvassed should be disposed as quickly as possible and in any case within three months.

III. Need for a Liasion Organisation.

5.14. At present an entrepreneur has great difficulty in apporaching different institutions for assistance of different types. In order to have a proper growth of small scale industries it is necessary that the various types of assistance sought by the small slcae industries from different organisations, say, term loan, working capital loan supply of machinery, construction of work-shed, payment of subsidy, etc. should be complied with, more or less simulaneously, so that the new entrepreneur could start the industry within the targetted time. It is possible to achieve this only if one Government institution exclusively for this work is made responsible to co-ordinate such activities between the different agencies financing the small scale industries and make it act as a 'liaison institution.'. The Working Group recommends that the Tamil Nadu Small Industries Development Corporation could take up this work as its main function and its Field Officers could be authorised to take up the delayed cases directly with the respective financial institutions for early disposal.

IV. Raw Material Bank.

5.15. One of the important bottlenecks, to the proper growth of small scale industries, is the availability of the right type of raw material at the right cost and in the right time. For instance, ferrous metals of all sections (flat, non-flat products, alloy and steel) and non-ferrous metals (copper, zinc, tin, lead and nickel) are available not even to the 10 per cent needs of a small scale industry. Large scale units, borne in the list of DGTD are enjoying the higher privilege of meeting their raw material demands and thus they are able to produce finished products at more competitive prices than small scale industries in view of the mechanisation and modernisation of their industry. Such being the case, the small scale industrites will never be able to complete with the major units unless some protection with regard to the supply of raw material at competitive prices is given. The Working

Group on raw material is understood to have touched this problem more elaborately. even though different organisations like SIDCO, STC, MMTC, Regional Stock-yards of Hindustan Steel and TATAS are already engaging their attention in the supply of raw materials to the small scale sector, the position has not improved to any appreciable extent. Apart from this, it is needless to mention that a section of the small scale industries takes advantage of the scarce position of the essential raw materials supplied to them which are ultimately not put in proper use ;

5.16. The suggestion of the Chairman of the Task Force on Small Indusrries, to create at 'Raw Materials Bank' exclusively for small scale industries, has been accepted and by the Working Group. The main functions, of this Bank, will be to stock a reasonable quantity of essential raw materials of scarce nature, distribute them to small scale units as per the authorisation of the State Sponsoring authority, at reasnoable prices, with the agreement of taking back the finished products made out of these raw materials by the bank itself, and then to market them to the recognised consumer as followed in the pattern of marketing adopted by DGS&D. It will be seen that the raw material bank not only provides a portion of scarce materials in time ; but will also assist small scale sector industries to keep up their commitment to supply at least a portion of the orders booked by them, and are also able to get the marketing facilities for their products. This Bank can also consider the release of raw materials on deferred payment at reasonable rates of interest just like any other nationalised bank financing the industries against security of stocks. No doubt, the availability of scarce materials to this bank, also along with other parallel organisations run by State/Centre, is an important factor to be analysed in detail according to the pattern drawn by the Government of India from time to time. It is hoped that the misuse of essential scarce raw materials can be minimised to some extent by these arrangements apart from the timely assistance rendered to small-scale industries to meet a portion of their demand of raw materials.

V. Effective Marketing Organisation.

5.17 As narrated in item 4 above, while the raw material bank could render certain marketing tacilities for the items produced out of the raw materials supplied by them, a separate marketing organisation would still be required to help small-scale units to market their products. Certain broad norms are to be deviced in accepting the finished products and the prices at which these organisations are paying for the finished products are to be decided by competent authorities who will have powers to go through the job cards, and purchase bills of the firm. It may also be that in some cases where SSI units are able to locate the consumers for their products ; but when the payments are not forthcoming promptly, even if the supply is made according to specifications, the organisation now suggested should come forward initially to finance a portion of the cost to SSI units and then market the products to the ultimate consumer. Certain products which are produced by several small scale units could perhaps be sold through this organisation, under a common brand name. By this method small scale units would be in a position to compete with large scale industries. The Working Group recommends that the creation of a suitable organisation for this purpose may have to be considered by Government. Details for this would have to be drawn up. It may also be considered whether SIDCO would be in a posiion to take up this responsibility.

VI. Schemes for Engineers and Entrepreneurs.

5.18 The Central and State Governments have taken various measures to promote small-scale units by extending a number of concessions, facilities, subsidies and created separate organisations for each of them to look after the interests of this sector. The financial institutions have provision to help upto nearly 80—85 per cent of the required capital to start initially a small scale industry by a new entrepreneur. The commercial banks and the nationalised banks have their own discretion to examine the viability of the scheme and then to fix the ceiling of the financial assistance for 'working capital'. But still certain sections of the new entrepreneurs, namely, technical Engineers and Graduates, who want to start a small-scale industry and who have no means to meet the margin money from their own resoures, should also be helped by providing the entire financial need, subject to their schemes being viable to the full satisfaction of the institutions. The Tamil Nadu Industrial Investment Corporation should draw a scheme by which the technical entrepreneurs can be helped by financing them with 100 per cent of the capital required or by providing as loans the amount of margin money which the entrepreneur is required to invest on his own. Such loans could be treated as second charge by TIIC.

5.19. Similarly, when the Engineers, already employed in Private or Public Sector, desire to start new industries, they should be given one year leave to start industries of their own, and entire capital required by them to start new units can be considered for sanction. Their salary during the leave period should be paid to them by the employer by treating the amount as a loan repayable in easy instalments with necessary moratorium period.

VII. Incentives.

5.20. The incentives enumerated in the comparative statement annexed at IX relate to both finance as well as infrastructure facilities. The Working Group has decided to place the following recommendations relating to finance and leaving the others to the decision of the Working Group on 'Infrastructure Facilities'.

(i) *Sales tax*.—Government may consider for granting interest-free loans to the small scale units to the extent of sales tax paid on raw material purchased by it, and machi nery and also on the sales tax paid on finished products, if any. This concession may be considered for the first five years from the time of setting-up of the unit. Such loans should be recovered in easy instalments after a moratorium of five years.

(ii) *Octroi duty*.—Exemption from payment of 'octroi duty' by small scale units should be considered. Local bodies/municipalities may be persuaded to consider this exemption for payment by the units set-up within their jurisdiction, for first 5 years.

(iii) *Stamp duty*.—At present, exemption of 'stamp duty' is granted only for instruments executed in favour of TIIC. Government may consider exemption of duty for the deeds executed in connection with the loans with the Directorate of Industries and other State Organisations like SIDCO, SIPCOT, etc.

(iv) *Assistance for preparation of feasibility study reports*.—At present no provision is made for the payment of either subsidy or a part of the expenditure reimbursed in preparation of project feasiblity reports. Government should prepare feasibility reports on important industries and make it available to entrepreneurs on payment of a nominal fee. In the case of feasibility reports undertaken by the entrepreneur with Government consent, 50 per cent of the reports should be met by Government.

(v) *Developed Plots in Backward Areas.*—Developed plots formed in backward area sshould be considered for leasing out of 50 per cent of the economic rent for three years, 75 per cent of the rent for the next two years and full rent to be collected only after 6 years.

VIII. General.

5.21. The Working Group feels that intensive compaigns in joint participation by the development agencies like, Directorate of Industries and Commerce, SISI, Lead Banks TIIC and NSIC could be taken up in District head quarters so that the SSI units will have opportunity to know the details of the assistance given by various institutions of both Central and State and avail them to the best extent. The applications canvassed through campaigns should be expeditiously processed. It is expected that such campaigns should bring fruitful results in the working of these organisations in the coming years.

5.22. An attempt has been made by the Working Group to project the requirement of finance for small scale units for the next 12 years. The projections are given institution wise in Annexure X. The demands are based on the average growth rate of 12 per cent. In the absence of information from the other Working Groups regarding industrywise financial requirement it has not been possible for this Group to assess the requirements properly. However, the Working Group is confident that if the procedure for sanction are simplified there would be no difficulty in tapping the required amount of finance from various institutions for the growth of small scale industrial units.

ANNEXURE.

STATISTICS OF REGISTERED SMALL-SCALE INDUSTRIES UNITS FROM 1967 TO 1970 DISTRICTWISE.

District.	Registered up to 1966.	During the year. 1967.	1968.	1969.	1970.	Grand Total as on 31st December 1970.	As on 30th June 1971.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Chingleput	892	157	273	455	86	1,863	1,863
Coimbatore	1,000	166	225	273	527	3,191	2,340
Dharmapuri	..	28	17	51	36	132	264
Kanyakumari	143	17	12	16	3	191	191
Madras	2,692	424	675	1,803	642	6,236	6,429
Madurai	769	124	144	231	287	1,555	1,555
Nilgiris	17	5	9	..	25	56	59
North Arcot	494	39	94	147	132	906	1,029
Ramanathapuram	810	107	85	1,145	110	2,257	2,265
Salem	1,461	83	579	180	70	2,373	2,373
South Arcot	342	9	81	205	156	793	890
Thanjavur	502	60	71	707	52	1,392	1,473
Tiruchirappalli	551	74	71	163	178	1,037	1,089
Tirunelveli	758	89	65	151	186	1,249	1,388
Total ..	10,431	1,382	2,401	5,527	2,490	22,231	23,208

ANNEXURE II.

DETAILS REGARDING THE DISBURSEMENT OF LOAN UNDER STATE AID TO INDUSTRIES ACT 1922 FROM 1956–57 TO 1970–71 AND FOR 1971–72 UPTO 31ST OCTOBER 1971.

Year.	*Number of Units aided.*	*Amount disbursed.*	*Plan outlay.*
(1)	(2)	(3)	(4)
		RS.	RS.
Second Plan Period—			
1956–57	201	11,27,865·00	20,00,000·00
1957–58	3,401	24,88,962·00	25,00,000·00
1958–59	4,057	24,56,687·00	25,00,000·00
1959–60	3,952	22,26,558·00	25,00,000·00
1960–61	4,148	26,31,976·10	26,33,600·00
	15,759	1,09,32,048·10	1,21,33,600·00
Third Plan Period—			
1961–62	4,061	33,92,474·65	33,74,000·00
1962–63	4,811	28,82,813·19	29,00,000·00
1963–64	2,889	25,02,617·06	25,00,000·00
1964–65	2,082	30,00,289·00	30,00,000·00
1965–66	1,797	29,90,760·00	30,00,000·00
	15,640	1,47,68,953·90	1,47,00,000.00
Annual Plan Period—			
1966–67	2,543	34,97,249·25	35,00,000·00
1967–68	2,884	29,70,564·00	30,00,000·00
1968–69	1,344	26,21,308·00	25,00,000·00
	6,771	90,89,121·25	90,00,000·00
Fourth Plan Period—			
1969–70	1,473	24,90,350·00	30,00,000·00
1970–71	1,744	31,67,210·75	30,00,000·00
1971–72 (upto 31st December 1971) ..	347	5,98,350·00	40,00,000·00
	3,564	62,55,910·75	1,10,00,000·00

ANNEXURE III.

DETAILS OF THE LOAN SANCTIONED FOR THE SMALL INDUSTRIES FROM 1966–67 TO 1970–71 BY INDUSTRIES DEPARTMENT.

Loan granted within the powers of respective officers.			1966–67		1967–68		1968–69		1969–70		1970–71	
			No.	Amount.	No.	Amount.	No.	Amount.	No.	Amount.	No.	Amount.
(1)			(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
								(RS. IN LAKHS).				
Up to Rs. 5,000 by Assistant Directors ..	Private Units	..	2,472	23·55	2,870	22·23	1,320	19·32	1,461	18·30	1,206	18·62
	I.C.	..	..	1·44	..	1·34	..	0·11	..	..		5·88
Upto Rs. 7,500 by Regional Deputy Directors.	Private Units	..	..	..	..	..	9	0·64	4	0·30	6	0·44
	I.C.	..	..	..	..	..	..	..	..	..	..	..
up to Rs. 10,000 by Joint Directors ..	Private Units	..	1	0·10	1	0·10	1	0·08	..	..	1	0·09
	I.C.	..	..	2·06	..	..	..	..	..	..	..	..
Up to Rs. 25,000 by Directors	Private Units	..	12	2·19	5	0·19	5	1·00	5	0·91	4	0·88
	I.C.	..	..	..	..	..	..	..	..	..	..	..
Up to Rs. 50,000 by the Directors with the recommendation of the Board.	Private Units	..	9	4·02	2	0·80	6	2·49	5	2·65	5	2·28
	I.C.	..	..	..	..	..	..	..	..	..	..	..
Upto Rs. 1,00,000 by Government with the recommendation of the Board.	Private Units	..	2	1·42	5	4·25	3	2·57	2	2·75	5	4·25

ANNEXURE IV.

Industry wise Details of the Loan Sanctioned by Industries Department

Details of Industries Group.	1968–69 No. of cases.	1968–69 Amount. (Rupees if Lakhs)	1969–70 No. of cases.	1969–70 Amount (Rupees in Lakhs)	1970–71 No. of cases.	1970–71 Amount. (Rupees in Lakhs)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Food-stuff ..	59	0·777	44	2·642	72	1·097
2. Miscellaneous Textiles.	47	0·614	76	0·695	24	1·490
3. Wood and Wooden Products.	201	3·472	143	2·898	245	4·110
4. Leather and Leather Products.	103	1·060	108	1·441	86	0·734
5. Rubber, Petroleum and Coal and their products.	26	0·420	1	0·020	2	0·100
6. Chemical and Chemical products.	38	0·890	9	0·443	18	0·559
7. Non-Metalic Mineral ores other than petroleum.	30	0·350	11	0·377	63	1·243
8. Basic Metal and other Products.	101	2·891	118	3·503	5	0·125
9. Machinery other than Transport equipments.	39	2·434	15	1·315	44	4·195
10. Transport equipments.	41	1·029	18	1·632	7	0·525
11. Miscellaneous manufacturing goods.	659	12·274	936	9·934	1,178	17·493
Total ..		26·211		24·900		31·671

ANNEXURE V.

THE CUMULATIVE ASSISTANCE RENDERED BY TIIC FROM 1ST SEPTEMBER 1949 TO 30TH JUNE 1971.

	No. of applications.	*Amount sanctioned*	*No. of applications.*	*Amount disbursed.*
(1)	(2)	(3)	(4)	(5)
			(RUPEES IN LAKHS).	
I. *Cash Loan.*—				
Small-scale	119	246·95	85	146·23
Others	361	3,161·19	303	2,443·45
II. *Guarantee Loan.*—				
Others	227	636·15	17	459·17
III. *Deferred Payment Guarantee.*—				
Small-scale	3	9·58	1	1·27
Others	78	1,685·35	42	798·51
IV. *Underwriting of Shares and Debentures.*—				
Small-scale	1	1·75	1	1·72
Others	104	1,390·71	69	742·47

Resources :

The Authorised Capital of TIIC is Rs. 10 crores resources raised up to 30th June 1971 are :—

1. Paid up capital (The Government of Tamil Nadu holding 59 per cent of the shares, is the Kanor shareholder).	2,99,56,000
2. Reserves	79,54,549
3. Bonds	9,53,14,400
4. Deposits..	8,89,74,463
5. *Borrowings* ;	
From Industrial Development Bank of India	4,23,74,115
Short-term loan from Government of Tamil Nadu (The Corporation has not availed any loan from the Government of Tamil Nadu after 29th October 1968).	36,00,000

ANNEXURE VI (a)

THE TAMIL NADU INDUSTRIAL INVESTMENT CORPORATION LIMITED

Details regarding Applications received and disposed for the last 10 years.

Year.	Type of loans.	Total Transactions. Applications received.	Amount.	Applications sanctioned.	Amount.	Small Scale Industries. Applications received.	Amount.	Applications sanctioned.	Amount.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
			RS.		RS.		RS.		RS.
1961–62	Loans	48	5,15,18,000	27	2,96,71,500	9	14,05,000	6	5,20,000
	D. P. Guarantee	..	..	7	32,20,466	..	..	..	..
	Shares under written	17	3,34,50,000	7	88,75,000	..	..	..	..
1962–63	Loans	62	7,14,68,000	40	4,34,41,750	10	15,10,000	9	13,85,750
	D. P. Guarantee	..	..	14	2,45,23,264	..	..	..	..
	Shares underwritten	8	1,95,74,000	11	1,87,00,000	..	..	..	..
1963–64	Loans	69	6,84,54,850	44	4,66,70,850	16	33,54,850	4	6,05,850
	D. P. Guarantee	8	4,05,89,375	7	57,96,165	..	..	..	..
	Shares under written	15	2,49,93,960	11	1,18,00,000	..	..	..	..
1964–65	Loans	62	6,93,58,800	57	5,91,12,300	8	17,10,000	3	20,99,000
	D. P. Guarantee	22	7,16,43,238	15	4,79,44,388	..	..	..	..
	Shares under written	22	3,26,62,500	14	2,37,99,000	1	1,75,000	1	1,75,000
1965–66	Loans	67	7,21,46,411	40	4,30,04,911	6	15,77,000	2	3,25,000
	D. P. Guarantee	11	1,50,28,059	11	5,41,94,125	..	..	..	..
	Shares under written	17	1,01,25,000	20	1,43,65,000	..	..	..	..
1966–67	Loans	34	3,13,40,084	20	2,04,94,084	9	28,78,000	3	7,95,000
	D. P. Guarantee	5	53,72,946	4	1,15,84,878	..	..	..	..
	Shares under written	11	1,20,22,500	7	55,62,000	..	..	..	..

1967-68	Loans	24	1,89,34,000	17	1,58,80,000	7	28,75,000	3	10,95,000
	D.P. guarantee	5	44,61,821	4	28,69,714	..	..	..	..
	Shares under written	4	32,50,000	9	63,87,000	..	..	..	..
1968-69	Loans	28	2,01,23,000	19	1,35,30,000	10	25,53,000	7	26,35,000
	D.P. guarantee	3	37,10,437	3	33,05,270	..	..	..	..
	Shares underwritten	2	28,00,000	4	17,76,000	..	..	..	..
1969-70	Loans	89	4,46,03,000	36	2,41,77,000	13	1,08,93,000	13	28,25,000
	D.P. guarantee	4	47,71,108	2	30,95,000	1	2,79,057	..	..
	Shares underwritten	9	31,50,000	7	40,50,000	..	..	..	..
1970-71	Loans	166	6,22,42,000	88	4,22,90,000	134	2,79,32,000	57	1,18,91,000
	D.P. guarantee	6	73,95,575	9	94,06,651	1	4,00,000	2	6,79,056
	Shares underwritten	7	31,75,000	9	51,35,000	..	..	..	..
1971-72	Loans	69	2,15,34,189	43	1,05,21,400	38	82,39,840	39	88,21,400
(1st July 1971 to 31st December 1971).	D.P. guarantee	2	32,76,800	3	35,36,800	..	..	..	..
	Shares under written	1	6,50,000	1	5,00,000	..	..	..	..

ANNEXURE VI (*b*).

COMPARISON OF THE ASSISTANCE TO S.S.I. BY T.I.I.C. WITH REFERENCE TO THE TOTAL TRANSACTION.

Year.	*Total transaction.*		*Small scale industries.*		*Percentage by value.*
	Number of case sanctioned.	*Total value in lakhs.*	*Number of case sanctioned.*	*Total value in lakhs.*	
(1)	(2)	(3)	(4)	(5)	(6)
1961–62	41	417·67	8	5·2	1·24
1962–63	65	866·64	8	13·85	1·60
1963–64	62	642·66	4	6·05	0·94
1964–65	86	1,308·55	10	22·74	1,74
1965–66	71	1,115·63	8	3·25	0·30
1966–67	31	376·40	8	7·95	2·11
1967–68	30	251·36	8	10·95	4·35
1968–69	35	186·11	7	26·35	14·16
1969–70	45	736·12	18	28·25	3·84
1970–71	106	568·31	59	125·70	22·12
1971–72	47	145·57	10	88·21	68·60

Upto 31st December 1971.

ANNEXURE VII.

CONCESSIONAL FINANCE BY THE INDUSTRIAL DEVELOPMENT BANK OF INDIA AND INDUSTRIAL FINANCE CORPORATION OF INDIA TO PROJECTS IN SPECIFIED BACKWARD AREAS.

I. Detailed terms and conditions—

(*a*) Industrial Development Bank of India.

(i) *Rate of Interest*:—Seven per cent per annum (with a penalty of ½ per cent for defaults) against the present normal rate of 8½ per cent with a ½ per cent penalty.

(ii) *Extension of initial moratorium in the repayment of loans*:—The I.D.B.I. will allow five years' moratorium to the assisted concerns for the first repayment of the principal amount of loans, against the normal practice of three years.

(iii) *Longer amortisation period for loans*:—Against the normal repayment period of 10 to 15 years projects from the backward areas would be allowed a longer period of 15 to 20 years.

(iv) *Participation in risk capital*:—Depending on the merits of the case, the I.D.B.I, may subscribe relatively heavily to the risk of capital of projects in backward areas.

(v) *Reduction in the underwriting commission*:—The underwriting commission in respect of public issue of shares/debentures made by concerns in backward areas could be reduced by 50 per cent, i. e., it could be 1¼/¾ per cent instead of 2½ per cent/1½ per cent at present.

(vi) *Reduction in commitment charge*.—At present, the I.D.B.I. charges a rate of one per cent per annum on account of commitment charge on amounts which remain undrawn by the assisted concerns. This charge may be reduced to ½ per cent or waived altogether in exceptional case for projects in the backward areas.

(vii) *Consultants' charges*.—The I.D.B.I. may also bear the cost of consultancy services to prepare feasibility reports for the entrepreneurs initially, subject to reimbursement later when the project reaches the profitability stage.

(viii) *Other terms and conditions*.—The I.D.B.I. already follows a flexible attitude, in respect of promoters' contribution, margin requirements, etc., The I.D.B.I. may continue to adopt similar attitude in respect of projects from backward areas and relax these requirements depending on the merits of each case. The I.D.B.I. may also agree to suitable postponement of the interest payment in the initial years of the project.

ANNEXURE VIII.

ANALYSIS OF MACHINES DELIVERED THROUGHOUT INDIA FROM 1957–58 TO 1970–71 BY THE NATIONAL SMALL INDUSTRIES CORPORATION LIMITED.

(VALUE IN LAKHS).

Year.	All India basis.				Tamil Nadu.	
	Number of Machines.	Value.			Number of Machines.	Value.
		Imported.	Indigenous.	Total.		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1957–58	978	47·9	32·0	79·90		
1958–59	1,356	88·5	54·4	142·90		
1959–60	1,112	102·3	66·6	167·80	998	103·37
1960–61	1,187	120·6	58·1	178·70		
1961–62	1,408	140·8	76·4	217·20		
1962–63	2,755	181·8	159·3	341·11	196	41·53
1963–64	3,060	401·9	249·1	651·04	252	98·52
1964–65	2,470	183·0	201·2	384·22	192	64·56
1965–66	1,646	122·0	151·7	273·90	113	25·76
1966–67	1,311	161·9	133·7	294·84	142	37·90
1967–68	1,242	268·5	114·4	382·91	182	61·66
1968–69	1,643	255·7	193·7	449·40	207	59·40
1969–70	1.716	287·6	168·6	456·20	202	32·52
1970–71	2,014	338·5	268·3	606·80	221	60·38
	*23,898	2,700·0	1,927·5	*4,627·02	2,705	592·43†

(The Tamil Nadu figures 998 and 103·37 are bracketed against the years 1957–58 to 1961–62.)

* This total figure includes Tamil Nadu also shown in Columns 6 and 7.

†60 per cent of the total value may be taken as imported machines.

ANNEXURE IX

COMPARATIVE STATEMENT OF 'INCENTIVES' EXTENDED FOR NEW S.S.I. UNITS BY THE INDUSTRIALLY ADVANCED AND SOUTHERN STATES IN INDIA.

1. *Taxes—Sales Tax Octroi Duty, Power Tax, Property Tax.*

TAMIL NADU :—Exemption of sales tax is given in deserving cases on merits.

Exemption on electrical consumption tax is given for a period of five years (since withdrawn).

MYSORE .—Cash refund of sales tax paid for the first five years is considered.

Local Bodies are persuaded to exempt Octroi Duty for five years on Raw Material Purchase.

Exemption from payment of electricity tax for five years is given.

KERALA .—Interest free loans are granted to the extent of sales tax paid for the first five years on the purchases, subject to equal amount of sales tax invested on capital assets by the units apart from loans. Grant of exemption of electricity duty is under consideration of the Government.

ANDHRA .—Refund of sales tax on raw materials, machinery and finished products subject to the limitation of 10 per cent of the paid up equity capital for the whole of five years.

Land revenue or tax limited to the value as paid before the land is put in use for industrial purposes.

MAHARASHTRA.—Cash refund of sales tax is paid on raw material purchase and finished goods.

Octroi on raw material, capital goods and building materials imported within the limits of local bodies is exempted.

PUNJAB.—Purchase and sales tax inclusive of interstate sales tax refunded for five years (only in local point of growth).

Electricity duty reduced from 20 per cent to 15 per cent.

Property tax imposed in April 1966 is not charged.

ASSAM.—Deserving cases are considered for tax exemption due to difference of the taxes for adjoining state.

ORISSA .—Cash refund of sales tax paid on raw materials purchase for five years is given.

Octroi duty will be exempted on machinery and raw materials.

2. *Power Subsidy.*

TAMIL NADU .—Concessional tariff on H. T. Supply allowed for five years (since withdrawn).

Industries in backward area enjoy reduction of 15 per cent on tariff.

KERALA :—Tariff is fixed at lower rate for power intensive units by negotiation. Surcharge for five years is exempted.

ANDHRA :—Subsidy to the extent of 10 per cent on power tariff is granted.

MAHARASHTRA :—Rebate on electricity tariff is allowed for units coming up outside Bombay region subject to their having a load of more than 200 K.W.

PUNJAB :—Twenty-five per cent subsidy in the tariff is given for five years for certain power-based industries, only in area of focal point of growth.

ASSAM :—Extension of power lines for new units are not charged exceptr for the cost of installation incurred within the premises of the consumer.

ORISSA:—Electricity is made available at concessional rates (details not available).

3. *Water Rates.*

MYSORE :—Concession available for water tax (details not available).

KERALA :—Water is supplied generally on the basis of the cost.

ANDHRA :—Water rate is exempted on water drawn from the sources not maintained at the cost of Government/local body.

4. *Price preference or Marketing Assistance.*

TAMIL NADU :—Fifteen per cent preference is given for SSI products and payment of EMD is exempted.

MYSORE :—Twenty-five per cent preference for private units and Ten per cent preference for Government Units are given.

KERALA :—Preference of Fifteen per cent for imported goods used by SSI units, 5 per cent over the cost of the other States products, 10 per cent over large scale products and 15 per cent for industrial co-operative products are given.

ANDHRA :—Preference of 10 per cent for SSI units and 15 per cent for Government products are given.

MAHARASHTRA :—No price preference is given excepting that 33 per cent of the Government purchases are reserved for products of new SSI units at the lowest tendered rate.

PUNJAB :—Preference of 15 per cent for SSI units in general area and 17½ per cent on the focal points of growth is given.

ASSAM :—No price preference is given; but a central purchase organisation given price concession to the local units for specified items reserved to be produced at negotiated price and for specified period.

5. *Stamp Duty.*

TAMIL NADU :—Exempted for instruments executed in favour of T.I.I.C.

MYSORE :—Exempted for documents executed in favour of State Financial Corporation.

KERALA :—Exempted in respect of instruments executed in favour of State Financial Corporation and Department of Industries.

6. *Assistance for preparation of feasibility study report.*

MYSORE :—Part of the cost of the report is met by Government in deserving cases.

KERALA :—Government's Projects reports are made available free of cost to the prospective entrepreneurs.

MAHARASHTRA :—Seventy fiv eper cent of the cost is paid on study done through any agency approved by State Government.

PUNJAB :—Fiftyper cent of the cost is paid for report prepared by consultants approved by State Government.

ASSAM :—Reports prepared by Government will be made available to selected and deserving entrepreneurs free of cost.

ORISSA :—Fifty per cent of the cost of the study report is contributed by the State is prepared by approved agency.

7. *Concession in the Industrial Estate.*

TAMIL NADU :—Sheds are given at subsidised rent in the Industrial Estate in the initial period.

MAHARASHTRA :—Free land with only 25 per cent of the cost of the building as share capital is collected from co-operative industrial estates.

ASSAM :—Fifty per cent of the rent is given as subsidy for specified period to new units.

8. *Loan assistance.*

TAMIL NADU :—State provides guarantee to obtain credit accommodation and also under-writing shares.

KERALA :—State provides guarantee to obtain credit accommodation and also participates in share capital for sound products.

MAHARASHTRA :—State favourably considers guaranteeing loans to raise borrowing on the mortgage of the property.

Under-writing of share capital is also considered on merits.

PUNJAB :—Government will under-writes share capital up to 25 per cent of the paid-up capital.

ASSAM :—Government will participate in share capital in cases of merit.

ORISSA :—Government gives facilities to deserving cases in share capital loan and Government guaranteeing under-writing of equity shares in deserving cases are also considered

9. *Concessions in under-developed and backward areas for plot acquiring.*

MYSORE :—Assistance up to 18 per cent for setting up units in N.E.S. Blocks is given.

KERALA :—Sale or lease of Government land at concessional rates in ayacut area of irrigation projects and in backward districts is considered.

MAHARASHTRA :—In developed plots, no rent is charged for first two years.

Fifty per cent of the economic rent for next four years and full economic rent after five years are charged.

Half per cent reduction in interest is considered for loans given by State Financial Corporations.

PUNJAB :—Plots acquired by Government are allotted to industry and cost recovered in easy instalments with interest at 4 per cent.

10. *Special concessions.*

MAHARASHTRA :—Building materials are given on loan for replenishment after receipt of permits.

PUNJAB :—Entrepreneurs holding technical qualifications are given department loans up to full cost of building and land.

ASSAM :—Royalties on local raw materials are fixed on merits and local raw material required for SSI units are supplied on subsidised basis.

Forest products are restricted for movement to outside States and reserved as far as possible for indigenous consumption.

FINANCIAL PROJECTIONS FOR V AND VI PLAN PERIODS FOR LOANS, HIRE PURCHASE OF MACHINERY AND SUBSIDIES.

	Actual expenditure.		*Projections.*													
	III Plan.	*IV Plan. (up to 1972 only).*	*V Plan* (1975—80).						*VI Plan* (1980—85).							
			I	*II*	*III*	*IV*	*V*	*Total.*	*I*	*II*	*III*	*IV*	*V*	*Total.*	1986-87.	1987-88.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
									(RUPEES, IN LAKHS.)							
I. *Tamil Nadu Small Industries development Corporaton Limited*—																
(*a*) State aid to industries	148	62·55	40	45	51	56	62	254	62	69	77	86	96	390	100	120
(*b*) Hire purchase of machinery ..	..	35	40	45	51	56	62	254	62	69	77	86	96	390	100	100
(*c*) Construction of worksheds ..	..	6·6	20	30	40	50	60	200	60	65	70	75	80	350	100	100
II. *Tamil Nadu Industrial Investment Corporation* (SSI Contribution only)—																
(*a*) Loans	49·34	2,35·37	150	168	180	200	240	938	250	280	219	347	389	15.76	400	450
(*b*) D.P. Guarantee	..	6·70	..	..	..	..	..	25	..	..	..	..	..	30	10	10
(*c*) Shares under-writing	1·75	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
III. *Nationalised Banks*—																
Limit of sanction	..	2,33·63 (After nationalisation).	..	..	..	..	..	2,60·00	..	..	..	..	..	300·00	65·00	70·00
IV. *National Small Industries*—																
Corporation for HP of n/c (relating to Tamil Nadu).	2,61·92	92·90 (2 years)	..	..	..	..	..	300	..	..	..	..	..	350	75	90
V. *Government commitments*—																
(*a*) S.T. exemption	..	..	10	11	12	13	14	50	..	..	..	..	..	100	20	25
(*b*) Power subsidy	..	..	5	6	7	8	9	35	..	..	..	..	..	35	10	15
(*c*) Share participation	..	..	..	..	..	..	..	200	..	..	..	..	..	300	100	100
(*d*) Share subsidy for starting industries in backward areas.	..	..	..	..	..	..	..	200	..	..	..	..	..	300	100	150
(*e*) Subsidy for feasibility report ..	..	..	..	..	..	..	..	25	..	..	..	..	..	30	10	15

NOTES — (*a*) The projections have been suggested keeping the growth rate of SSI as approximately 12 per cent.

(*b*) Wherever there had been no expenditnre in III/IV plans period token provision is suggested and projections given to the next periods.

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PREFACE.

The Raw Material Working Group was formed under the Task Force for Small Industries of the State Planning Commission, for drawing up a perspective plan to meet the demand of scarce raw materials during the next decade 1974—1984. It has been my privilege to have been nominated as Convenor of this Working Group and Ihave had the pleasure of working with Senior Officers of the State and Central Governments, as well as my colleagues in the Small Industry Movement.

In formulating this report we have taken into consideration the various problems confronting the Small Industries in getting adequate quantum of raw materials both imported and scare indigenous. While it has not been possible to envisage firm figures of availability of raw material in the next decade to come, we have worked out requirements of the various items taking into consideration the likely availability also. To that extent I feel our proposals are fairly realistic.

Further, we have made a few suggestions about organisational set-up and the administrative pattern dealing with the assessment and distribution of these raw materials, which I hope will get due consideration at the hands of the Government; as after all, in the context of an economy of shortages, much will depend on the realistic assessment and pragmatic distribution of the available raw material in the interest of a healthy growth of the small industries sector, which is so vital to the Nation's economy.

I take this opportunity to thank my colleagues on the Working Group and the Member-Secretary in particular, for all the active interest taken by them and kind co-operation extended to me, but for which our deliberations could not have been concluded successfully. I shall be failing in my duty if I do not express my gratitude to the Chairman of the Task Force Thiru N. Mahalingam, for his frequent advice and assistance in bringing out this perspective report.

M. S. PARTHASARATHY,
Convenor,

CHAPTER I.

INTRODUCTION.

1·1. In furtherance of the principles to promote the welfare of the people, Tamil Nadu Government, after having undertaken planned economic development through Five-Year Plans, have constituted a State Planning Commission to prepare a Perspective Plan for the economic development during the next decade 1974—1984. The Planning Commission has constituted 15 Task Forces, for Sectoral Profiles, on long-term planning, subject-wise under which a Task Force exclusively for the development of Small-Scale Industries has been set-up consisting of Thiru N. Mahalingam, B.Sc., M.I.E., Member of the State Planning Commission, as its Chairman and Senior representatives of Government apart from non-official members, in the field as its members and a middle level officer in the cadre of Deputy Director of Industries as its Secretary. Under this Task Force, Working Groups dealing with specific problems have also been constituted. One of the Working Groups is to deal with the subject on "Raw Materials" distributed through both Central and State Government Organisations to the Small-Scale Industries.

CONSTITUTION.

1.2. The Working Group was constituted with the following members :—

(1) Thiru M. S. Parthasarathy, President, FASII, No. 10, G.S.T. Road, Guindy, Madras-32. — Convenor.

(2) Thiru C. N. Raghavan, I.A.S., Director of Industries and Commerce, Chepauk, Madras-5. — Member.

(3) Thiru A. Padmanabhan, I.A.S., Chairman and Managing Director, Tamil Nadu Small Industries Development Corporation, B-129, IX Cross St., Shastrinagar, Madras-20. — Do.

(4) Thiru S. Sankaran, Managing Director, Enfield India Limited, Thiruvottriyur, Madras-19. — Do.

(5) Thiru K. Krishnaswamy, Joint Regional Manager, M.M.T.C. No. 6, Esplanade, Madras-1. — Do.

(6) Thiru G. Ramachandran, Zonal Manager, Hindustan Steel Limited, Kannammai Buildings, 122, Mount Road, Madras-6. — Do.

(7) Thiru M. S. Krishnaswamy, Policy Controller, Office of the J.C.C.I. and E., Post Box No. 1842, Madras-1. — Do.

(8) Thiru P. B. Nedungadi, Deputy Marketing Manager State Trading Corporation of India Limited, 123, Mount Road, Madras-6. — Do.

(9) Thiru S. Jagadeesan, President, CODISSIA, No. 84, Avanashi Road, Coimbatore-18.	Member.
(10) Thiru M. S. Jayaram, President, Madurai-Ramanathapuram District SSI Association, 66-A, South Avani Moola Street, Madurai-1.	Do.
(11) Thiru A. N. Srinivasa Rao, President, Tamil Nadu Small Scale Industries Association, 31, Mount Road, Madras-2.	Do.
(12) Thiru Mathew Kuncheria, President, Tamil Nadu Industrial Estates' Association, No. 19, Aspiran Garden Annexe, Madras-10.	Do.

TERMS OF REFERENCE.

1.3. Terms of reference, as drawn by the State Planning Commission were broadly defined as follows :—

1. To make an assessment of the material, capital and human resources, as are found to be deficient in relation to State's requirement.

2. To formulate a long-term Plan for the most effective and balanced utilisation of the State's resources.

3. To indicate factors which are tending to retard the economic development and to determine the conditions which could be established for successful execution of the plan.

4. To make ancillary recommendations as appear to be appropriate either for facilitating the discharge of duties assigned to it or on consideration of the prevailing economic conditions, current policies, measures and development programmes.

1.4. Keeping in view the broad objectives indicated above and in considering the responsibilities of the Working Groups to examine the various functions of the State/Central Organisations in meeting the scarce raw materials demand to small-scale industries, this group has studied the role of various governmental agencies and has paid its attention to suggest suitable remedial measures to promote the small scale industries in the State.

MEETING.

1.5. This Working Group held three meetings both at Madras and mofussil on 9th December 1971, 25th March 1972, 31st May 1972 and studied the functions of the following organisations :—

1. *Central Government.*—(*a*) M.M.T.C. with regard to the distribution of non-ferrous metals.

(*b*) S.T.C. with regard to other scarce raw-materials like Mutton Tallow, Soda ash, Caustic-soda, distribution of materials in IRMAC Scheme.

(*c*) Hindustan Steel.

(*d*) Joint Chief Controller of Imports and Exports.

2. *State Government.*—(*a*) Directorate of Industries and Commerce.

(*b*) Tamil Nadu Small Industries Development Corporation Limited.

(*c*) Tamil Nadu Small Industries Corporation Limited.

CHAPTER II.

GROWTH RATE OF SMALL-SCALE INDUSTRIES.

2.1. The growth rate of Small-Scale Industries could not be ascertained exactly, for t hereason that the system of registration of Small-Scale Industries adopted in the State is on a voluntary basis and the data of the Units registered in the past, were taken as a rough indication of the rate of growth for Small-Scale Industries. But it should be mentioned here that apart from the Units registered in the books of the Directorate of Industries, certain units of ' non-house-hold ' and ' non-factory ' nature have not been taken into consideration as most of these units did not enroll themselves with the Department. With the available figures of the registered Small Scale Industries units, the rough growth rate in the last five years was found to be low for Tamil Nadu.

2.2. There are, to-day, over 25,000 registered Small-Scale Industrial Units in the State. The registration of Small-Scale Unit is sought for obtaining various assistance like a place in the industrial estate, raw-materials, financial assistances, etc. The number of small-scale industries was around 10,000 during 1966 and the growth has been quite rapid.

2.3. On an all India level, there are, to-day, over 2.81 lakhs registreed units in the Small Industries sector and the average growth rate per annum has been found to be 11.5 per cent over the last decade and a half.

CHAPTER III.

THE ROLE OF STATE/CENTRAL GOVERNMENTS IN ARRANGING RAW-MATERIALS TO SMALL SCALE INDUSTRIES.

3.1. Limited availability of right type of raw materials has been one of the major problems faced by Small-Scale Sector. It is estimated that the needs of this Sector had been met only to the extent of about 30 per cent which is not even sufficient to meet the demands of one shift per day. Inspite of this hazard, Small Scale Industries being a free sector, there had been a rapid growth during the past two years, as could be seen from the registered units with the Directorate of Industries, with the result, there had been quite a lot of under-utilisation of capacity.

IMPORTED RAW MATERIALS.

3.2. While reviewing the position of the availability of raw materials in the previous plan periods, it is seen that the raw materials used to be allotted to the Small Industries Sector on adhoc basis with no reference to the production capacity. The Directors of Industries, who are primarily responsible for the development of small-scale industries in the State were merely acting as sponsoring agencies for the essentiality of raw-materials. The centre was allotting materials even without any reference to the 'essentiality certificate' issued by the State Directorate; but kept in view the total demand of the country for the Small-Scale Sector within the limited foreign-exchange resources available with the Centre. From the licences issued to Small Industries Sector from 1961–62 onwards, it is seen that inspite of difficult foreign exchange position at the all India level the cntre has been able to gradually raise the value from 16.5 crores during 1961–62 to 74 crores during 1966–67. Our State's share out of this amount is however not in keeping with the growth of this sector and may probably be about 4 per cent of the All-India allotment. It will also be appropriate to mention here that a sizeable portion of the above value has been spent on certain priority industries defintd by the Government of India, and these priority units have been availing almost 150 per cent of the demand of other sectors.

3.3 Now coming to iron and steel, since the supply position of indigenous materials was continuously precarious, the Government of India have had to necessarily go in for adhoc imports of essential sections of materials through canalising agencies like M.M.T.C. and H.S.L., while such canalised imports are necessary the prices at which such imported material are sold to the actual user should be fixed in a reasonable manner in keeping with the requirements of the industry, for healthy growth of the industry, to enable the industry to sell the manufactured goods at reasonable rates to the ultimates consumer.

3.4. Again in the case of non-ferrous materials, there was the promulgation of "non-ferrous material control order in 1958"; then subsequently this was withdrawn and again a "scarce industrial raw-material control order of 1965" was brought in and later rescinded. There was lot of confusion with regard to the State allocations and direct licensing to small scale industries. In 1966–67, the import of non-ferrous metals to small-scale sector was

partially through the agencies meant for it. Now it has again been decided to canalise these imports entirely without resort to direct licensing. It can thus be seen that small-scale industries were continuously facing a crisis caused by constant procedural changes and shortages in as far as their requirement of non-ferrous materials was concerned.

3·5. In the case of chemicals, imports from rupee payment countries were mostly canalised through Government Agencies and a small portion was left for direct import by the Units from general currency area. However, due to world shortage of certain chemicals or due to certain administrative reasons it was again felt that the imports should be arranged in bulk through Government and distributed through State or Central Agencies.

3·6. It will not be an exaggeration if it is mentioned that to the advantage of Centre, certain items were finalised on barter deal making the final cost of the material imported in India, totally prohibitive, for use in Small-Scale Sector. In a study conducted by DCSSIO, it is seen that under liberalised import policy in 1966–67, 47·5 per cent of the total value on all-India basis was utilised by priority industries. Again out of State share of these liberalised imports, Tamil Nadu has roughly utilised 9 per cent. The Industries in the non-priority category, however, stood at a further disadvantageous position from 1967-68 onwards in the allotment of both imported as well as indigenous materials.

INDIGENOUS RAW-MATERIALS.

(a) Iron and Steel :

3.7. Till 1960 there were bulk allocations to the State leaving the distribution to the discretion of the State Directorate of Industries. Since then, due to increased availability of steel, various categories were taken away from the purview of the steel control order imposing restrictions only for certain selected items like flat products. A Joint Plant Committee was set-up and units were also permitted to book orders with the steel plants directly for supply in wagon loads. Later in 1967, the statutory control over the prices and distribution was also withdrawn. The Government, in order to meet the vital requirements of the important industries, created a steel priority committee to join directly JPC. for supply of materials which were in short supply on priority basis. The State Directorate was sponsoring such priority demands to the steel priority committee. In the recent years, the supply position of indigenous materials became very critical and eventhough there is no statutory control over the distribution the steel priority committee keeps control over major portion of rolled quantity by both main producers and rerollers, for allocation to various applicants on the order of priority. The allocation to the private SSI units through SIDCO for the periods are furnished in the Annexure I. The units under TANSI received supplies of steel materials both from producers as well as from the Regional Stockyards of the producers details of which are furnished in Annexure II.

(b) Non-ferrous metals :

3.8. The Government of India held control over the allocation of indigenous non-ferrous metals primarily on Aluminium since 1964. The allocation was raised from 3,000 tons in 1965-66 to 5,000 tons in 1968 and this was only about 7 to 10 per cent of what the small-scale industries in India actually require.

3.9. The details of the non-ferrous metals handled by Regional Office of MMTC at Madras are furnished in Annexure II.

(c) Other scarce items :

3.10. Apart from the ferrous and non-ferrous items, STC handled certain essential items like Mutton Tallow, Chemicals, Caustic Soda and Soda Ash and released these to actual users against Release Orders issued by the Regional licensing authorities, the details of which are furnished in Annexure IV.

General :

3.11. Consequent upon the revision of the definition of the small-scale industries introducing ceiling on investment upto 7.5 lakhs on plant and machinery, a number of medium-scale units registered in the books of DGTD entered the small scale sector and of a set of industries to the small-scale sector should have carried along with it the raw-material entitlements which they were enjoying from the quota allotted to DGTD, unfortunately this did not come to pass. This also created a lot of problems to the existing small scale industries as they were made to share their meagre allotment with the transferred units.

3.12. Thus most of the powers that should have been exercised by the State Directorate of Industries, which is primarily responsible for providing raw-materials to small-scale industries, like licensing/allotment/distribution control, etc., are vested only with the Centre, leaving no opportunity to the Directorate, for proper distribution of materials to the existing units and also to ensure proper planning of the development of the small scale sector.

CHAPTER IV.

PROBLEMS NOW FACED BY SMALL-SCALE INDUSTRIES WITH PRESENT REGULATIONS AND PROCEDURES.

4.1. The main problems now faced by modern Small Industries in the sophisticated sector, are in respect of raw-materials both indigenous and imported. The imported raw-materials could be classified into two, namely :—

(*a*) Those that are imported directly under actual user import licence; and

(*b*) Those that are imported through canalising agencies.

The Indigenous raw-materials could also be classified into two, namely :—

(*a*) Those that are 'scarce' and are subject to some informal control and

(*b*) those that are easily available.

These can again be classified as follows :—

Iron and steel—

Flat items (Sheets and Plates).

Non-flat items (All other items)

Billets (for rerolling only).

Re-rolled scrap.

Pig-iron.

Non-Ferrous Metals—

Copper

Zinc

Aluminium E.C. Grade

Aluminium Commercial Grade

Tin.

Lead.

Nickel.

Cadmium.

Antimony.

Other Items—

Mutton Tallow.

Match-wax

Parafin-wax

Soda-ash.

Caustic-soda.

Chilean Nitrate

Potasium Chlorate.

Sulphur.

Red-Phosphorous.

4.2. As far as indigenous raw-materials are concerned, State Industries Department assesses the requirements based on the periodical releases made by the Centre. These are released from Producer's stockyards or Private stockists as the case may be.

4.3. In regard to imported items, the direct imports are governed by the ITCI policy and applications for import licence are sponsored by the State Government to the licensing authority. Certain items are released through ' Relese Orders ' issued by the licensing authority on the recommendation of the State Directorate. These items are specified in the import policy itself, e.g., copper, zinc, tin, lead, nickel, etc. Certain other items are released on the basis of ' Release Orders ' issued by the State Directorate against a bulk allotment made by the DCSSI ; e.g. mutton tallow, soda-ash, Copra, etc. Apart from these, adhoc allocations of certain items from surplus stock with canalising agencies are made by DCSSIO and such materials are released on the strength of ' Release Orders ' issued by the State Director himself.

4.4. Recently, SIDCO has also taken over the distribution of ' scarce ' materials like Mutton Tallow, soda-ash and Caustic-Soda, besides iron and steel. In such cases, the bulk allotments are made to the State Directorate through the canalising agencies and released through ' Release Orders ' issued by the State Directorate.

4.5. The above mode of release and distribution was working satisfactorily in the context obtaining, five years ago ; but in the present context of rapid development, consequent on the technological progress, time being the essence of all productive activity unless timely and regular allotment of raw-materials to the weaker sections is made, the small-scale sector will face obliteration.

4.6. Formerly, State units were allowed to import and even imported raw-materials in bulk quantities were to be operated at the discretion of the State Director. This arrangement ensured a rational and equitable distribution of foreign-exchange vis-a-vis raw-materials. This enabled proper planning in the small-industries sector. According to the present arrangement, the State Director is kept completely in the dark about the limits of foreign exchange available. Hence, they are unable to sustain the existing ones let alone plan the future development of small Industries.

4.7. There are inconsistencies in the policies laid down every year and certain norms have been followed with no reference to the practical conditions that prevail in the industries. For instance, fixing up of norms , based on machinery value for non-priority units and fixing a maximum limit of Rs. 75,000 neither meets basic needs of industries nor is conducive to plan growth of any industry.

CHAPTER V.

RECOMMENDATIONS.

With a view to streamline the existing procedure, after a careful study of the practical working it is suggested that the following changes in the procedural details are absolutely necessary for the proper planning of procurement and distribution of raw materials to enable the small-scale industries in the State to play their rightful role in the economy. These recommendations concerning the Central/State Agencies are detailed below :

SUGGESTIONS RELATING TO CENTRAL AGENCIES :

5·1. A survey was taken up to assess the capacity and the requirements of non-ferrous materials and chemicals. This was taken up by the State Directorate in conjunction with the Federation of Associations of Small Industries of India and SSIDO.

The details of assessment made have been furnished by the State Directorate to DCSSI vide annexure V (item a-d). For other materials, the assessment has to be taken up by the State Directorate in stages. The assessment of units consuming ferrous items has already been taken up by the State Directorate. The SSIDO has not associated itself with this assessment. In as much as the realistic assessment of the capacity is a sine qua non of any procurement and distribution activity, this will have to be done in respect of each of the small-scale industrial units by the State Directorate, SSIDO and FASII jointly. It is absolutely necessary for the SSIDO to be associated with all such assessments taken up at the State level to ensure that the DCSSI is also, by being associated with the survey, becomes aware of the actual requirements of the State.

Once a realistic assessment is made, it would enable the DCSSI to get the actual requirements of the materials for SSI units. When allocations are made by DGTD on the one hand and DCSSI on the other, especially when raw materials are scarce, the above assessment would enable the DCSSI to get the SSI quota on prorata basis and on a more liberal footing than the DGTD units.

5·2. In the case of imported raw materials as well as scarce indigenous materials, to enable the Directorate of Industries to ensure proper distribution, the Central Authorities should intimate the State Directorate the ceiling and in as much as the State Directorate recommends the case within the ceiling its recommendations should be accepted *in full* and necessary ' Release Orders ' ' Import licences ' should be issued.

5·3. In the case of items import of which is canalised import or indigenous materials, for example iron, steel and zinc, where the DCSSI makes adhoc allotments, such allotments should be based on the results of the survey conducted/envisaged.

5·4. One more important lacuna that has got to be immediately eliminated is that once State allocation is made, and the State Directorate is intimated to operate on it, it should be possible for the State Directorate to issue the necessary ' Release Orders ' direct to the canalising agencies instead of sending up recommendations to the licensing authorities, to issue the ' Release Orders ' on the canalising agencies. The existing procedure is cumbersome and has invariably delayed matters to such an extent that more

often than not, by the time the import control authority issues the necessary 'Release Order', the material had already been disposed off to some other State by the canalising agency, making the entire exrcise totally infructuous. It should be enough if the State Directorate sends a copy of he 'Release Order' to the licensing authority to enable him to keep a record of the release made.

5.5. Whenever Statewise allocation of scarce rawmaterials is made (including iron and steel) by the Centre, the State Directorate should be informed and it should also conform to the assessment already made in association with the SSIDO & FASII. These allocations should also contain full details of the assessed capacity of the units in each State, allocation made to each State and the basis of allocation informed to the State Directorate.

5.6. Regarding coal and coke, because of the lengthy procedure involved in getting them from the Producing Centre to the Consuming Centre and due to various socio-political conditions existing, transportation of coal by rail has been proving a perennial problems. In order to get over this, it is suggested that the Central Government may arrange to locate coal dumps in the following places along east coast to function as stockyards from which coal/coke could be easily transported as per requirements. The places suggested are, Madras-Nagapattinam, Cuddalore and Tuticorin. Such strategic locations of these dumps will enable the transport of coal by coastal shipping whenever there is an acute shortage of wagon.

5.7. The Electronic industry has been fast taking root in our State. But unfortunately due to some of the constraints, it has not been able to make proper headway The main problem is getting some of the critical raw materials required for making components and although the State Industries Department have made a realistic assessment of the requirements, the Import Trade Control Authorities have not been honouring the recommendations, with the result, the units are suffering very much. Another constraint that has been imposed recently is that the production programmes for any electronic equipment device or component should be approved by the DCSSI, New Delhi. This is a very retrograde step and unless the State Government is given full authority to approve the production programmes, the tempo will considerably slow down due to the delay involved in approval of this programmes and the delay in getting the raw materials.

5.8. In regard to the interpretation of the Red-Book provisions particularly in indentifying certain materials or components required the recommendations of the State Director, who has the necessary technical staff, should be respected and the materials released without any delay, and such recommendations should not be turned down on the plea that the name of a particular component is not found in the list.

5.9. While bringing in new rules or procedures, particularly those like approval of production programmes or imposition of new policies, etc., a transition period of atleast one year has to be given instead of bringing them in suddenly as is being done now, upsetting the processing already done.

5.10. In regard to the manufacture of television receiver sets, a reservation of atleast 75 per cent of the capacity should be made for the small-scale sector and all the required raw materials according to the pack value for the licensed quantity should be released

as soon as the capacity is approved. This applies equally well to certain electronic entertainment equipments like Tape-recorders, for which capacities have been approved but raw materials have not been made available due to inconstant procedural problems. Once the capacity is approved, the imported raw materials, as per the original arrangement should be released as soon as the application is made by the entrepreneur. The licenses must be issued by the Regional Licensing Authority without taking recourse once again to sending the entire papers to Delhi for further clearence and clarification.

5.11. As per the existing procedure, cases of hardships in getting imported raw materials are being recommended by the State Directorate to the CCI and E., New Delhi through DCSSI for consideration by a special committee. This involves lot of delay and does not appear to be rational procedure. In the interest of proper growth of small-scale industries, it is absolutely essential that such cases of hardships are considered at the regional level it self by a regional Committee consisting of regional licensing authority, State Dirctorate and representive from SISI and FASII.

5.12. Import should be made by canalising agents on the basis of actual assessment made at the State level. The canalising agencies should have a policy of fixing the prices in such a manner so as to be in parity with the prices charged to the large-scale industries and those obtained by importing directly under actual user licenses. In short, there should be no difference of prices between any sector of industry to the ultimate consumer. The same principles should be applicable to the indigenous materials also, particularly iron and steel.

State Level suggestions :

Now coming to the problems faced at the State level, especially in the context of SIDCO coming to play a more and more active role in fostering the growth of small industries, the following suggestions are made :—

5.13. State Directorate of Industries must be deeply involved in the activities of the Development Corporation. There should be a continuous co-ordination between these two. Such co-ordination can be achieved by greater involvement of the Senior Executives of the Directorate in the activities of SIDCO.

5.14. The State should endeavour for proper assessment of the requirements of scarce materials but for which it will have no basis on which to insist on regular allocations even on a prorata basis. Even after the assessment by representatives from SSIDO and FASII in order to dispose off hard cases, the State should have a separate cell with a competent officer to deal with such cases and the representations of parties concerned could be taken up by levying a fee of Rs. 100 for each such appeal. The function of this cell will also be to periodically review the assessment already made as well as for new units and also to closely watch the basis of allotments of ' scarce ' raw materials made by the Centre from time to time and to takeup the cases in a fitting manner with the Centre for proper reallotment in cases where such allocations are disproportional to the needs of the State.

5.15. The State, in order to have a close liaison with the licensing authorities and organisations responsible for making indigenous allotments of scarce raw materials at the Central level, should appoint competent persons both at Delhi and Calcutta, who are having

intimate knowledge of the various procedures and policies drawn up by the Centre from time to time and attend in a fitting manner, to the States ' interests. In order to achieve the desired objective, the Officer so appointed should be of a sufficiently senior status with wide discretionary powers to enable him to achieve concrete results.

5·16. In order to do full justice to the small-scale industries, particularly the weaker sections, public sector units run by TANSI, which are, for all practical purposes, medium scale units, should not be allowed to infringe on the slender prerogatives of small-scale industries of the State, by drawing their raw material requirements against quota allowed specifically for small-scale industries. The existing method of TANSI units enjoying concessions applicable to small-scale industries only results in an unhealthy competition, thereby stifling the healthy growth of the small-scale sector in the State.

5·17 The Tamil Nadu Small Industries Development Corporation should seriously take up the question of dealing in all import licences of smaller value with a view to arrange for bulk imports and distribution of the material. They may also consider the question of getting advance bulk licences from the Government of India to meet the raw-material requirements of such industries adequately and in time.

As a third stage to the above, they may take-up the procurement and distribution of canalised items perhaps as agents of the canalising agencies. But the most important point to be borne in mind in all the above activities is that under no circumstances should the prices of the raw materials to the ultimate consumer become costlier as compared to cost of direct imports.

Match-Wax :

5·18. There are more than 1,000 small scale-match units which face scarcity of match wax. This commodity is manufactured by Assam Oil Company Digbhoy and is at present being distributed by the Directorate of Industries and Commerce. Very often owing to transport bottle-necks shortage occurs and in order to tide over this it is necessary that the State Director of Industries should represent the case of the match industry to the Central authorities so that the required quantum of match wax could be allotted to the State and distributed in time to the consumers. It may also be worth while to study the possibility of the Madras Refineries Undertaking to manufacture match wax from the slack wax available with them.

5·19. Plants for the manufacture of Pottassium Chlorate, Pottassium Chloride, Sodium Hydrosulphite have to come up quickly so as to relieve the great difficulty that the small-scale industries are undergoing to procure these items.

5·20. In view of the proposals of pre-paras with the increasing role, SIDCO will be playing in procurement and allocation of raw material, supply of machinery on hire-purchases, bulk import licences and acting as canalising agents. In order to ensure proper growth of small-scale industries in the coming years, both quantitatively and qualitatively, it is essential that an officer designated as Development Commissioner, Small-Scale Industries in the rank of Secretary to Government be appionted who should act as ex-officio Chairman of the Development Corporation. Under him the growth of small-Scale industries can be planned in an integrated manner co-ordinating the functions of the

two wings, namely, SIDCO and Directorate of Industries. The Managing Director of SIDCO as the Chief Executive Officer, will, however, carry on the day-to-day administration within the over all policy laid down by the Board of Directors.

5·21. In order to ensure perfect functioning and rational distribution of raw materials besides rendering the technical guidance and other assistances to small-scale industries, the organisations responsible for distribution of raw materials should have the responsibility of keeping a watch on the proper utilisation of the raw materials allotted. This can be possible only by strengthening these organisations at the higher echelon.

5·22. Raw materials for small-scale industries is a very critical and a vital subject and in order to extend proper assistance, technical officers and trained experts should be incharge of Industrial Estates of the State. This would call for officers having atleast the status of Deputy Directors of Industries and to co-ordinate their activities, Joint Directors have to be stationed at regional headquarters. This suggestion needs no special emphasis in the present important context of development of industries, particularly in the small-scale sector. Another reason in support of this suggestion is that as compared to the type of industries that were in existence in the period 1956 to 1966, the types of industries that have come-up now are, highly technologically oriented and sophisticated, like Electronic Instruments, Electricals, Plastics, Chemicals, Special Ancillaries and so on. Unless persons of sufficient knowledge, status and experience are put in-charge, the future of the small-scale industries cannot be what it should be.

General :

5·23. It is felt that an effective say should be given to the District Small Scale Industries Associations in the functioning of SIDCO's operation. It is also suggested that the strength of the non-official members on the Board of Directors of SIDCO should be raised to six (instead of five at present).

The non-official Directors should be nominated from the districts as far as possible from enthusiastic small-scale industrialists who are deeply involved in the movement and are well conversant with the policies and procedures of the governments (Both Centre and State).

5·24. SIDCO is at present depending for its finance on Bank loans and Government funds (alloted for specific projects). It has no refinance facilities from the Reserve Bank. Considering the uneconomical nature of the operation costs, through Bank finance and also its slender resources, the working group recommends that the Government should liberally finance SIDCO atleast for its developmental activities, so that small-scale industries may get financial assistance at preferential rates of interest.

5·25. SIDCO should take up the distribution of scarce items under samll scale industries quota from the canalising agencies, gradually and that in future, no materials should be directly distributed to the small scale industrialists, by the canalising agencies. This will help better control over the units and fair utilistion of the scarce raw materials.

5·26 While we have identified the present demands, the shortage in supply and the desired mode of distribution, etc., in order to project the future demand for the next 10 years (*vide* Annexure VI) and to ensure the State of such demand, one has to take into consideration the productivity of the large-scale sector, the availablity of adequate

foreign-exchange for imports and development of mineral wealth of this country. A small percentage of raw materials could perhaps be available by indigenous import substitution. Beyond this, no concrete proposals are made. It will be very difficult to give any data based on concrete proposals to meet the assessed demands as the whole question is hinging upon too many imponderables.

ANNEXURE I.

STATEMENT OF ASSESSED DEMANDS OF IRON AND STEEL MATERIALS FOR S.S.I. FOR THE YEARS 1970–71, 1971–72 AND THE ALLOTMENT TO TAMIL NADU THROUGH STEEL PRIORITY COMMITTEE, CALCUTTA.

Materials.	*Demand as assessed by advertisement.*		*Allotment through S.P.C. (In Mettric Tons.)*	
	1970–71.	1971–72.	1970–71 (*from October* 1970 *to March* 1971.)	1971–72.
(1)	(2)	(3)	(4)	(5)
Non-Flat—				
Rounds	Not available ..	11,258	4,685 M. Tons, (Both flat and non-flat items).	1,432
Flats		3,608		433
Angles		6,496		1,478
Channels		4,208		465
Squares		878		150
Joists		2,359		646
Flat—				
H.R. Sheets ..	....	4,734	....	1,027
C.R. Sheets ..	....	3,797	....	264
G P. Sheets ..	....	2,057	....	108
G.C. Sheets ..	....	..	....	..
M. S. Plates ..	....	6,902	....	242

ANNEXURE II.

Tamil Nadu Small Industries Corporation Limited.

Particulars of Steel Consumption.

Year 1966–67.

(in metric tons)

(1)	*Flat Products.* (2)	*Non-Flat Products.* (3)
From Producers	Nil.	Nil.
From Messrs. Hindustan Steel Limited, Tatas and Stockists, Madras.		
Column II	25	2,160

Year 1967–68.

(1)	*Flat Products.* (2)	*Non-Flat Products.* (3)
From Producers	Nil.	Nil.
From Messrs. Hindustan Steel Limited, Tatas and Stockists ..	165	214·326

Year 1968–69.

(1)	*Flat Products.* (2)	*Non-Flat Products.* (3)	*Pig Iron.* (4)
From Producers	164	1,264	Nil.
From Messrs. Hindustan Steel Limited, Messrs. Tata Iron and Steel Company Limited and Stockists, Madras.	147	848	..

Year 1969–70.

(1)	*Flat Products.* (2)	*Non-Flat Products.* (3)	*Pig Iron M.T.* (4)
From Producers	348	1,948	1,225
H.S.L., Tata, Madras, Bangalore	667	2,003	..
Mysore Iron and Steel Company, Bhadravathi ..	..	41	..
Controller of Stores, Ayanavaram	..	20	..
National Project Construction Corporation, Agra C.R./H.R. Sheets and Plates.	73·330	..	..
Madras Port Trust 1·6 mm. C.R. Sheets	180·050	..	..

ANNEXURE II—*cont.*

YEAR 1970–71.

(1)	*Flat items.* M.T. (2)	*Non-Flat items.* M.T. (3)	*Pit iron.* M.T. (4)
From Producers	266	5,012	1,500
From stockyard	1,247	1,230	..
Imported sheets from Japan	230	..	..
Imported plates from Messrs. Hindustan Steel Limited, Calcutta, through SIDCO, Madras.	340	..	..

ANNEXURE III.

FERROUS/NON-FERROUS METALS ALLOTTED/SUPPLIED TO INDUSTRIAL UNITS IN MADRAS STATE DURING 1971.

Serial number and item.	*Total quantity in /M. Tonnes/Tonnes.*
1 Copper	440·150
2 Zinc	1,766·315
3 Lead	231·280
4 Tin	84·349
5 Nickel	13·520
6 Aluminium	66·104
7 Stainless Steel S.W.G. 22	151·000
8 Stainless Steel 0·5 MM	1,142·326
9 Mercury	417 Flasks of 35 Kgs. each.

ANNEXURE IV

SUMMARY TABLE OF REQUIREMENT OF SCARCE CATEGORIES OF RAW MATERIALS.

(1) State—Tamil Nadu.

(2) Assessed requirement of principal categories of raw materials of Rubber industries.

Name of raw material. (1)	*Quantity.* (2)	*Number of units using the material.* (3)
1 Tread Rubber	568·750 M.T.	19
2 Raw Rubber	128·150 ,,	13
3 Cushion Gum	18·900 ,,	8

ANNEXURE IV—*cont.*

Name of raw material.	*Quantity.*	*Number of units using the meterial.*
(1)	(2)	(3)
4 Rubber Latex	341·000 ,, and 1,00,000 litres.	9
5 Vulcanising cement	8,500 ,,	5
6 Zinc Oxide	13·650 M.T.	9
7 Formic Acid	3·600 ,,	2
8 Rayon Fabric	2·600 ,,	4
9 Solvent	4,800 litres.	2
10 Synaprene	5·000 M.T.	1
11 Fibre	250·000 ,,	1
12 Microprene	0·600 ,,	1
13 Colour Powder	0·050 ,,	1
14 Silcofil	2·800 ,,	1
15 Synthetic Rubber	19·500 ,,	4
16 Silicone	0·700 ,,	1
17 Foam Stabilizer	10·000 ,,	1
18 Rexin	2·500 ,,	1
19 Titanium Dioxide	2·600 ,,	3
20 Accdamater	10·000 ,,	1
21 Stearic Oxide	0·800 ,,	3
22 Synthetic Resins	1·000 ,,	1
23 Denatured spirit	3·000 ,,	1
24 Shelloc	3·360 ,,	1
25 Carborandum Powder	0·750 ,,	1
26 Synthetic Grease	0·750 ,,	1
27 Rubber solution	45·000 ,,	1
28 Sulphor	0·150 ,,	1
29 Dusmodour	0·100 ,,	1

SUMMARY TABLE OF REQUIREMENT OF SCARCE CATEGORIES OF RAW MATERIALS.

(1) State—Tamil Nadu.

(2) Assessed requirement of principal categories of raw materials for Plastic industries.

	Name of Raw material.	*Quantity.*	*Number of units using the material.*
	(1)	(2)	(3)
1	Low Density Polyethelene	2,436·785 M.T.	46
2	High Density Polyethelene	72·000 ,,	9
3	Styrene Powder	277·35 ,,	6
4	Acrylic plastic sheets	32·704 ,, 14,060 square feet and 3,576 numbers.	18
5	Nylon Powder	3·990 M.T.	4
6	Bakelite powder	0·500 ,,	1
7	Polypropelene	27·500 ,,	2
8	Acetol Copolymer	1·500 ,,	1
9	Formaldehyde	63·000 ,,	2
10	Perspex sheets	30 sq. ft.	1
11	Polystyrene	146·520 M.T.	13
12	Urea	30·000 ,,	1
13	Wood pulp	20·000 ,,	1
14	Polyester Button Resin	20·000 ,,	1
15	Pigments	4·200 ,,	2
16	Ethylene Glycol	12·000 ,,	1
17	Melamine pure	10·000 ,,	1
18	Styrene Monomer	20·000 ,,	1
19	Diethelene Glycol	7·000 ,,	1
20	Xylene	0·300 ,,	1
21	Malic Anedride	15·000 ,,	1
22	P. V. C. Pipes	..	1
23	Brass strips	4·042	1

Name of Raw material. (1)	*Quantity.* (2)	*Number of units using the materials.* (3)
24 Gum Arabic	10·000 M.T.	1
25 Phthalic Anhydride	20·000 ,,	1
26 Celluloid Sheets	4·576 ,,	2
27 Bronze Wires	0·300 ,,	1
28 Monofilament yarn	5·000 ,,	1
29 Decatine Alcohol	0·240 ,, 1,00,000 litres.	2
30 Polyethelene scraps	2·400 M.T.	1
31 Alkathene Granules	27·000 ,,	2
32 Thermoplastic Moulding powder	97·813 ,,	1
33 Tricholoro Ethelyne	0·300 ,,	1
34 Grease Proof paper	10·000 ,,	1
35 Bronze powder	5·000 ,,	1

SUMMARY TABLE OF REQUIREMENT OF SCARCE CATEGORIES OF RAW MATERIALS

(1) State—Tamil Nadu.

(2) Assessed requirements of principal categories of Raw Materials for Chemical Industries.

Name of material. (1)	*Quantity.* (2)	*Number of units using the raw material.* (3)
1 Sulphuric Acid	1,123·000 M.T.	5
2 Hydrocholoric Acid	2,688·000 ,,	4
3 Caustic Soda	1,115·394 ,,	6
4 Salicylic Acid	2·851 ,,	9
5 Carbolic Acid	0·441 ,, & 880 litres.	5
6 Citric Acid	8·682 M.T.	4
7 Boric Acid	12·436 ,,	5
8 Sodium Nitrate	672·000 ,,	3

Name of material. (1)	Quantity. (2)		Number of units using raw material. (3)
9 Iron Perchloride	1·000	M.T.	1
10 Sodium Nitrite	80·000	,,	1
11 Pottasium Chloride	380·000	,,	2
12 Ferric Chloride	0·500	,,	1
13 Campher	2·198	,,	3
14 Hexamine Powder	1·000	,,	1
15 Sulphur	552·000	,,	2
16 Sodium Silicate	80·000	,,	1
17 Cobalt Chloride	0·120	,,	1
18 Pottasium Permanganate	2·500	,,	1
19 Barium Chloride	10·500	,,	1
20 Tannic Acid	0·150	,,	1
21 Oxalic Acid	0·070	,,	1
22 Magnesite	180·000	,,	1
23 Leakofi	900·000	,,	1
24 Aluminium Hydride	350·000	,,	1
25 Caustic Lye	347·000	,,	1
26 Baryte Powder	2,801·250	,,	3
27 B.H.C. Technical	507·483	,,	3
28 D.D.T. Technical	119·376	,,	3
29 Endrin Technical	48·815	,,	3
30 Melathian	10·744 and 360 litres.	,,	3
31 D.D.T. Liquid	2·000	M.T.	1
32 So Emalin	1,000	Litres.	1
33 Aromex	1,08,215	,,	2
34 Lemon grass oil	500	,,	1
35 Ind. Alcohol	1,000	,,	1
36 Parocetanol	0·800	M.T.	1

Name of Material. (1)	Quality. (2)	Number of units using the raw material. (3)
37 Caffen	0·320 M.T.	2
38 Aspirin	2·400 ,,	2
39 Benzydine Dihydrochloride	1·600 ,,	1
40 H. Acid	4·500 ,,	2
41 Soda Ash	0·375 ,,	1
42 Red and Yellow oxide	5·956 ,,	1
43 Pigment Dye stuff	3·029 ,,	1
44 Nitro Benzyne	72·000 ,,	1
45 Methylated spirit	11,300 litres.	1
46 Zinc Dust	115·00 M.T.	1
47 Ethyl Aceto Acetate	2·000 ,,	1
48 O. Anisidine	5·000 ,,	1
49 Para Nitro Anilene	0·200 ,,	1
50 Phenyleg Acid	0·300 ,,	1
51 Para Amino Azo benzene	0·200 ,,	1
52 Para creseloc	0·500 ,,	1
53 Phenol	0·120 ,, and 151 litres.	2
54 Anitine Oil	0·060 M.T.	1
55 Hydro Sulphate	0·030 ,,	1
56 Ammonium Bicarbonate	0·030 ,,	1
57 Chicald Acid	1·500 ,,	1
58 MTA Phynylene Diamine	1·000 ,,	1
59 Dianisidine Dihydro chloride	0·800 ,,	1
60 Gamma Acid	1·500 ,,	1
61 Metanilic Acid	0·750 ,,	1
62 Diphenylamine	0·600 ,,	1
63 G. Salt	0·400 ,,	1
64 O. Toluidine	10·000 ,,	1

Name of material. (1)	Quantity. (2)	Number of units using the raw material. (3)
65 O. Nitro Anisole	6·000 M.T.	1
66 O. Tilidine Base	3·000 ,,	1
67 Acetic Anhydride	2·000 ,,	1
68 O. Xylene	10·000 ,,	1
69 Ortho Nitro Toluircene	6·000 ,,	1
70 Benziadine	6·000 ,,	1
71 Vasalin	35·240 ,,	3
72 Chlorinated Xylenols	3·030 ,,	1
73 Claic Acid	0·010 ,,	1
74 Acetyle Methionine	0·084 ,,	1
75 Gersnium Oil	0·005 ,,	1
76 Pottassium Hydroxide	0·025 ,,	1
77 Aqua Anethi	0·800 ,,	1
78 Arachis Oil	0·409 ,,	1
79 Phenol Phyhalin	0·500 ,,	1
80 Ferrous Gluconate	0·065 ,,	1
81 Bees was	15·850 ,,	2
82 Chlorophyll	0·020 ,,	1
83 Eucalyptus oil	1·085 ,,	2
84 Niacinamide	0·030 ,,	1
85 Menthol	8·400 ,,	6
86 Methyl Salicylate	0·;116 ,,	3
87 Denatured spirit	1,50,636 litres.	1
88 Oil Thyme	0·592 M.T.	1
89 Paraffin Lard	45·691 ,,	3
90 Petroleum Green	6·170 ,,	1
91 Thymol	3·231 ,,	4
92 Sulphanilamide	3·728 ,,	5

Name of Material.	Quantity.	Number of units using the raw meterial
(1)	(2)	(3)
93 Soda Bicarbonate	3·674 M.T.	3
94 Sulphadiazine	3·000 ,,	2
95 Sulphadinidine	1·950 ,,	2
96 Phenacetln	1·300 ,,	2
97 Sulpha Thiazole	0·500 ,,	2
98 Sulpha Phenazole	0·175 ,,	1
99 Sulphaginadine	1·570 ,,	4
100 Chlor Pheneramine Maliate	0·007 ,,	3
101 Chlonom Phenical	0·005 ,,	3
102 Tincture and Essences	2,484 litres	6
103 Tetra Cyclene A.C.L.	0·035 M. T.	5
104 Sia,mony Resin	0·400 ,,	2
105 Natural Essential oil	59·650 ,,	8
106 Bismuth Citrate	2·100 ,,	1
107 Carmine	0·050 ,,	1
108 Sodium Citrate	2·100 ,,	1
109 Pappermint oil	0·015 ,,	1
110 Acid Hydrouprie Dilute	1,715 litres	1
111 Glove oil	0·395 M.T.	2
112 Pottassium Carbonate	3·000 ,,	1
113 Zinc Oxide	12·365 ,,	7
114 Eprum Salt	3·000 ,,	1
115 Calcium Glycero Phophate	0·500 ,,	1
116 Liquid Parafin	6·710 ,, 1,000 litres	1 8
117 Tincture Jodine	1,000	
118 perfumery Compound	175 ,,	1
119 Lectose	1.750 M.T	1
120 Rectified spirit	3,600 litres.	1

Name of material.	Quality.	Number of units using the raw material.
(8)	(2)	(3)
121 **Malt Extract**	0·325 M.T.	1
122 Chrysarolin	0·300 ,,	1
123 Titanium Dioxide	10·450 ,,	8
124 Mineral Turpentine	73·500 litres.	4
125 Vegetable Turpentine	14·000 ,,	2
126 Cobalt Naptianate Lead and Manganese	870·000 M.T.	1
127 Xylol	162 litres.	1
128 Resin	101.687 M.T. 15,000 litres.	11 11
129 Pthalacymine blue	0·015 M.T.	2
130 Carbon black	0·180 ,,	2
131 Zinc Powder	2·370 ,,	2
132 Synthetie iron oxide	36·000 ,,	1
133 Synthetic yellow oxide	1·000 ,,	1
134 Gold bronze powder	72·500 ,,	1
135 Pigment colour	17·648 ,,	3
136 Red oxide powder	72·500 ,,	1
137 Kasmic Lead Lac	1·060 ,,	1
138 Chandras	0·425 ,,	1
139 Shelloc	1·410 ,,	1
140 Muslic	0·150 ,,	1
141 Gum Gopal	28·985 ,,	6
142 Linseed oil	0·808 ,,	1
143 Phosponic Acdi	50·000 ,,	1
144 Emullifying Agent	3·000 ,,	1
145 Bay oil	0·150 ,,	1
146 Synthetic Resin	0·535 ,,	1
147 Crysiline Acid	1,500 litres.	1
148 Creasolate	9·000 M.T.	1

Name of materials.	Quantity.	Number units using raw materials.
(1)	(2)	(3)
149 Pine oil	4,500 litres.	1
150 Arack	0·480 M.T.	2
151 White lead	2·000 ,,	1
152 Red lead	1·500 ,,	1
153 Cryosite oil	4,700 litres.	1
154 Crysolic acid	274 ,,	1
155 Domour	4,500 M.T.	1
156 Coai tox	675·000 ,,	1

SUMMARY TABLE OF REQUIREMENT OF SCARCE CATEGORIES OF RAW MATERIALS.

(1) State—Tamil Nadu.

(2) Assessed requirement of principal categories of raw materials for non-ferrous industries.

Name of material.	Quantity in M.T.	Number of units using the material.
(1)	(2)	(3)
1 Copperingots	6,707·994	62
2 Zinc ingots	4,898·623	158
3 Lead ingots	158·348	178
4 Tin ingots	220·478	210
5 Brass sheets strips and circles	2,621·372	166
6 Aluminium ingots	8,674·550	55
7 Sheets and circles	2,430·850	44
8 Copper sheets and circles	180·185	28
9 Chromium anodes	0·112	4
10 Copper anode	0·105	2
11 Copper wire	23·900	4
12 Gun metal	146·175	12
13 Brass scraps	122·045	14

Name of materials. (1)	Quantity. (2)	Number of unit using the raw material. (3)
14 Copper scraps	3,240	3
15 Aluminium scraps	165·100	5
16 Phosper broze spring wire	7·035	3
17 Antimony	2,650	4
18 Nickel Anodes	21·976	33
19 Tinplate waste	1,037·100	19
20 Silieon	94·000	2
21 Electrolytical copper bars	1,056·070	15
22 Mercury	0·015	1
23 Aluminium coil	1·600	2
24 Magnisium	500	1
25 E.C.Grades Aluminium	1,860·000	3
26 Manganese	9·500	1
27 Berylium copperin sheets or strips	2·000	1
28 Tin metal block	0·250	1
29 Borax	12·660	1
30 Tartaric Acid	20·300	1

ANNEXURE V.

PROJECTED DEMANDS FOR CERTAIN ESSENTIAL SCARCE ITEMS FOR THE NEXT 12 YEARS IN S.S.I. SECTOR.

Items. (1)	*Organisation responsible for arranging the supply of materials.* (2)	*Quantity assesssed for annual requirements.* (3)	*Quantity actually made available for SSI.* 1970–71. (4)	*Quantity actually made available for SSI.* 1971–72. (5)	*V Plan period.* 1974–79. (6)	*VI Plan period.* 1979–84. (7)	*Quantity in M. tonns projected. Demand.* 1985–86. (8)	*Quantity in M. tonns projected. Demand.* 1986–89. (9)
I. IRON AND STEEL—								
(a) Flat products	DITC and SIDCO	40,000	4,685 (for (a) and (b))	2,700	250,000	300,000	75,000	80,000
(b) Non-flat products	DITC and SIDCO	60,000		8,000	350,000	400,000	100,000	110,000
(c) Pig iron	DITC and SIDCO	25,000	6,500	2,000	150,000	200,000	50,000	50,000
(d) Alloy steel	DITC and SIDCO	7,500	..	..	40,000	50,000	10,000	10,000
(e) Tin plates	DITC and SIDCO	2,000	..	..	12,500	15,000	3,000	4,000
(f) Stainless steel	IMTD and SIDCO	2,500	..	1,300	15,000	20,000	5,000	5,000
II. NON-FERROUS METALS—								
(a) Copper	M.M.T.C.	7,800	..	440	40,000	50,000	10,000	10,000
(b) Zinc	M.M.T.C.	5,000 250	.. ..	1,766 85	30,000 1,300	40,000 1,500	9,000 300	10,000 300
(c) Tin	M.M.T.C.							
(d) Lead	M.M.T.C.	250	..	230	1,300	1,500	300	300
(e) Aluminium	M.M.T.C.	15,000	..	66	80,000	90,000	18,000	20,000
(f) Nickel	M.M.T.C.	50	..	13	300	350	75	80
III. OTHER ITEMS—								
(a) Mutton Tallow	STC	5,000	..	1,200	30,000	35,000	7,500	8,000
(b) Caustic Soda	STC	12,000	..	Small quantity received 1972-73.	65,000	75,000	15,000	16,000
(c) Soda Ash	STC	12,000	..	Do.	65,000	75,000	15,000	16,000
(d) Red Phosporous	STC	100	..	..	600	750	150	160
(e) Match wax	DITC	3,000	..	600 tons through oil companies.	17,000	19,000	4,000	4,500
(f) Paraffin wax	Arranged by S.T.C./IRMAC.	4,500	..	Do.	25,000	28,000	5,600	5,750
(g) Sodium Nitrate	Arranged by S.T.C./IRMAC.	3,000	..	Do.	17,000	19,000	4,000	4,500
(h) Blue match paper	Arranged by S.T.C./IRMAC.	5,200	..	Do.	30,000	35,000	7,500	3,000

NOTE.—Prices are highly fluctuating and hence any attempt to furnish the values for the above quantity will only m islead the planning.

Reports of the working group on

INSTRUCTURE FACILITIES

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C. RAMACHANDRAN, I.A.S.,
Director of Handlooms and Textiles.

KURALAGAM,
MADRAS-1.

FOREWORD

I have pleasure in presenting the report of the Working Group on 'Infrastructural Facilities' set-up by the Task Force on Small Industries under the State Planning Commission.

The members of the Working Group are obliged to the officers of the various departments who had extended their whole-hearted co-operation in furnishing the relevant data and materials and assisting the Working Group in their deliberations. During the study, we noted with great satisfaction that as far as Small Scale Industries are concerned, Tamil Nadu had already gone a long way in the provision of infrastructural facilities. Apart from the pioneering action taken by the Department of Industries and Commerce, the newly formed Small Scale Industries Development Corporation has also entered the field of providing the infrastructural facilities necessary for the growth of small scale industries. The Working Group also had the benefit of discussing with a number of industrialists in the field regarding their views on the necessities for the growth of small scale industries.

Basically, the fundamental obstacle in the speedier growth of Small Industries was felt to be the problem of procedures in applying and obtaining sanction for setting up a new Small Industrial Unit. In view of this, this Working Group took upon itself the task of analysing the procedural problems and we have made certain suggestions of our own in the matter of simplifying these procedures. Though these problems may not strictly fall within the ambit of infrastructural facilities, we have considered it necessary to deal at length with this matter on account of the real impact that this has on small industrial development.

Based on our analysis of the problems of Small Scale Industries, we are encouraged to conclude that there is very good scope for the development of Small Scale Industries in this State. The tempo of development has been satisfactory and much more could be done if certain difficulties which we analysed could be got over. I trust the study that we have made will be useful to the Planning Commission in formulating their report to Government.

As the Convenor of this Working Group, I am happy to place on record my sincere thanks to all the members of this Working Group who spared no pains in making our deliberations a success. I should also specifically mention my thanks to Thiru R. Muthukrishnan, Secretary of the Task Force on Small Industries, who was of great assistance to the Working Group at all stages of its deliberations. It will not be an exaggeration if it is stated that but for his perseverance and hard work, it would not have been possible for this Working Group to present its report within the time schedule. I should also like to express my thanks to Thiru N. Mahalingam, Chairman of the Task Force for the guidance he had extended to this Working Group.

C. RAMACHANDRAN,
Convenor

CHAPTER—I.

INTRODUCTION.

1.1. The Task Force on Small Industries set-up by the State Planning Commission with Thiru N. Mahalingam, B.SC., M.I.E., as the Chairman, has constituted separate Working Groups to analyse and study the various aspects of Small-Scale Industries. The Working Group was entrusted with the task of dealing with the subject of 'Infrastructure Facilities' with specific bearing on Small-Scale Industries.

1.2. The constitution of the Working Group is as follows :

Convenor :

Thiru C. Ramachandran, I.A.S.,
Director of Handlooms and Textiles,
Kuralagam, Madras-1.

Members :

1 Thiru P. S. Pandian, I.A.S.,
Joint Director of Industries,
Department of Industries and Commerce,
Chepauk, Madras-5.

2 Thiru A. M. Swaminathan, I.A.S.,
General Manager,
Tamil Nadu Small Industries Development Corporation Limited,
Kannammai Buildings,
No. 122, Anna Salai, Madras-6.

3 Thiru J. S. Perupattam, B.E.,
Superintending Engineer,
Tamil Nadu Electricity Board,
No. 157, Mount Road, Madras-2.

4 Thiru S. Sundaram, B.E.,
Deputy Director (S.S.I.),
Department of Industries and Commerce,
Chepauk, Madras-5.

5 Thiru D. Krishnamurthy,
Executive Engineer,
Tamil Nadu Electricity Board,
No. 157, Mount Road, Madras-2.

6 Col. T. V. Natarajan (Retd.),
President,
Ex-Servicemen Industrial Co-operative Worker's Society,
Madras-32.

7 Thiru Mathew Kuncheria,
President,
Tamil Nadu Industrial Estates' Association,
Ambattur, Industrial Estate, Madras-58.

8 Thiru S. Jagadeesan,
President,
Coimbatore District Small Industries Association,
Coimbatore-18.

9 Thiru R. Muthukrishnan,
Deputy Director,
Department of Industries and Commerce,
Madras-5 and Secretary of the Task Force on Small Industries.

Meetings :

1.3. This Working Group met thrice at Madras on 3rd December 1971, 20th December 1971 and 24th January 1972, at Ambattur on 7th February 1972, at Guindy on 14th February 1972 and at Coimbatore on 7th and 8th March 1972.

1.4. The members of the Working Group also held discussions with Small-Scale Industrialists at Guindy, Ambattur and at Coimbatore to understand their problems and also with different agencies, Government and otherwise.

The working of the following Government, Quasi-Government and other agencies which play a role in the provision and maintenance of Infrastructure facilities was also studied in detail :

1 Department of Industries.
2 Factories Department.
3 Public Health Department.
4 Municipalities.
5 Local Panchayats and Panchayat Unions.
6 Tamil Nadu Electricity Board.
7 Chief Electrical Inspector to Government.
8 Inspectorate of Municipalities and Local Boards.
9 Tamil Nadu Small Industries Development Corporation Limited.

1.5. The Working Group also made a study on the impact that various statutory regulations have on the growth of Small-Scale Industries. Though, in a literal sense, this falls outside the purview of infrastructure facilities, a study of these problems was made in view of the fact that these regulations play a vital role in fostering the growth of S.S.I. Thus in the report presented, an analysis of the impact on S.S.I. of various statutory agencies such as Industries, Factories Department, Health Department, Electricity Board, Town Planning Department, etc., has been included.

1.6. In Chapter II, a general outline is presented of the development of S.S.I. in this State.

1.7. Chapter III presents a picture of the Infrastructure facilities available for S.S.I. in the State and the role played by Central and State Governments and other Agencies in providing and maintaining infrastructure facilities.

1.8. After this factual presentation, Chapter IV gives the recommendations of the Working Group on the lines of development of infrastructure facilities with a view to assist S.S.I.

CHAPTER II.

GROWTH OF SMALL-SCALE INDUSTRIES.

2.1. The importance of the small industries till the introduction of Five-Year Plans was not properly recognised. A programme for the orderly development of modern S.S.I. was suggested by the Ford Foundation Team of Experts which visited the country in 1953. Since then the organisation of S.S.I. units has been considered to be one of the essentials in the economic development of the nation as a whole. Government implemented, in the II and III Plans, schemes for constructing a number of industrial estates wherein part of the infrastructure facilities that are required for a new entrepreneur were provided. But for this assistance, from Government, the small-scale units would not have been in a position to provide these facilities themselves initially. From that time the growth of small-scale industries was rapid.

2.2. The State could not foresee and plan for the required infrastructure facilities to all the S.S.I. units for the reason that the system of registering these units adopted is on a 'voluntary basis'. There are certain 'non-house-hold' and ' non-factory ' small-scale units which did not enroll themselves with the department. Some of the units employing more than 10 persons with power were registered with the Factories Department only. The registration of the small-scale units by the Directorate of Industries is sought primarily for obtaining assistance through Government departments viz., for accommodation in the estates, for supply of machinery on hire purchase, for supply of essential raw materials, for providing state aid loans, and for helping the units for marketing facilities, etc. It is seen that the registered units which were around 10,000 during 1966, have grown rapidly. There are today over 26,000 registered small-scale units in the State under the Voluntary Registration System (*vide* Annexure I) as against the All-India figure of 2·25 lakhs of units. The unregistered small scale units may be over 25—30 per cent of this figure. The average growth rate of the small scale units in Tamil Nadu is about 12—15 per cent.

2.3. Though it is seen from these figures that there is a very sharp increase in the number of the small-scale units registered with the Directorate of Industries, this figure by itself does not give a clear indication as to how many new small-scale units have come into being. This is on account of the fact that the registration is made for both ' proposed ' units as well as ' regularly functioning ' units. Strictly speaking, the proposed units should not be taken into consideration in evaluating the growth in the Small-Scale Sector, because no clear statistics are available as to how many of the proposed units die a natural death before fructifying and how many of those actually manage to survive. A study was made to ascertain how many of these registered units were really functioning units. It is seen that as on 1971, only about 70 per cent are functioning units and the rest are the proposed units obtaining ' temporary certificates '. We are not able to compare the present figure of the existing units with a similar one for earlier years because the system of registering ' proposed ' units and ' functioning ' units was introduced by the Directorate of Industries only a few years ago.

CHAPTER III.

THE ROLE OF CENTRAL/STATE GOVERNMENTS IN REGISTERING THE SMALL-SCALE UNITS AND IN PROVIDING INFRASTRUCTURE FACILITIES.

(a) *Department of Industries.*

3·1. The programme of the establishment of the Industrial Estates in the first three Plan periods have facilitated in a good measure the development of the number of small-scale units throughout the State. The industrial estates set-up in different parts of the State offered properly designed and ready-built factory sheds on different sizes depending on the type of industry to be located and offered at reasonable rents. In order to help the units to have rapid growth, the sheds in the estates were offered at a concessional rent in the initial period and at economic rent after some time. These estates provided all the basic needs of the industry namely, power, water-supply, well laid-out roads, communication facilities and above all the provision of sheds according to the Factory and Public Health Regulations. The estates at Guindy and at Ambattur are functioning as major ones. New small-scale units were properly guided in these estates. There were even common technical facilities available and a number of units were also ancillaries to each other. The location of such estates were gradually extended to mofussil areas in important industrial centres and there are at present 39 estates in all. The list of Conventional, Functional and Ancillary Industrial Estates is shown at Annexure II.

3·2. While the Government could arrange for readymade sheds to be rented out to the new comers, the State has acquired lands in Blocks suitable for location of industries and developed them with minimum requisite facilities like power, water, communication, etc. These developed plots are offered to the S.S.I. units. The costs of the plots were to be paid in instalments and the construction of worksheds were left to the entrepreneurs to build sheds according to their own designs. The list of developed plots areas maintained on date is at Annexure IV. An abstract of the infrastructure facilities available in the existing estates are at Annexure V. The Government have also introduced new schemes for mofussil areas to encourage industrialists to come up there. The terms of allotment of plots under the Developed Plots Scheme have been liberalised and the plots are even allotted on 95 years lease.

(b) *Tamil Nadu Small Industries Development Corporation Limited.*

3·3. In furtherance to the assistance given by the Government ,by setting up industrial estates and developed plots, the Tamil Nadu Small Industries Development Corporation has schemes to construct worksheds according to the types and designs required by the industries either in their own plots or in the developed plots allotted to them or in the lands belonging to the Corporation. The cost of the plots allotted and build up are recovered in easy instalments. SIDCO has already made a beginning in this direction, by the construction of 16 sheds in the Developed plots at Ambattur at a cost of Rs. 6·60 lakhs.

(c) *Co-operative and Private Industrial Units.*

3·4. While the Government have provided all basic facilities required for industries in the estates and the developed plots, it has assisted financially to set-up both the private and co-operative industrial estates to interested entrepreneurs. A list of such estates are at Annexure III.

II. Registration and Licencing of New Small-Scale Units.

(a) *Department of Industries.*

3·5. While touching on the position of the availability of statistics from the Small-Scale Industries from the beginning of the I Plan period, it is to be placed on record that a comprehensive statistics for the entire small-scale industries from time to time have not been available at all and this has come as one of the serious limitations on the proper assessment on this sector till the II Plan period. No data were available in the I and II Plan periods. The collection of data was attempted only by about the end of the II Plan period when evaluating the achievement in the I and II Five-Year Plans. From that time there has been a steady improvement in the availability of statistics.

3·6. The statistics came out of the registration that were made by the small-scale industries to the following departments :—

(1) As Voluntary Registration System through the Department of Industries and Commerce.

(2) Registration with the Factories Department.

(3) Through Economic Investigation Programmes of the Small Industries Service Institute.

3·7. In all these cases, even though some of the S.S.I. units were registered, there was no detailed statistics coming forth from these units. In fact, only such of those units which required assistance from the State, came forward to enroll themselves with the concerned department. The Government of India, in order to have a comprehensive statistics of small-scale industries in this State, requested the State Directorate of Industries to register the small-scale units. The procedure for this registration is very simple and an entrepreneur who desires to start a small-scale industry can straightaway get a 'temporary registration certificate'. In order to expedite the system of registration, the Director of Industries had decentralised the powers of registration and empowered the District Assistant Directors of Industries to register the units under their jurisdiction. When the units after obtaining 'temporary certificates' are able to prove the Department of having established their business and commenced production, they will get the 'regular certificates.'

(b) *Factories Department.*

3·8. According to law, any unit having employed more than ten persons with power and more than 20 persons without power should obtain a licence from the Factories Department. The issue of factory licences are to be finally sanctioned by the Chief Inspector of Factories at Madras. The licensed units have to maintain certain registers under Factories Act and should send monthly returns to the concerned Inspectors of Factories.

(c) *Public Health Department.*

3.9. This department has to issue clearance on the health aspects before permitting the location of an industry in a locality. The plan of the building for locating the unit as well as the installation of the equipment have to be scrutinised, on the points of building provision and health hazards. The main stipulation in the regulation of health is the minimum height of the building is to be about 9 ft. with good ventilation facilities. Among its other functions it has to examine on merits about the location of the industry in areas other than those defined as 'industrial area'.

(d) *Electricity Board.*

3.10. When an entrepreneur applies for location of an industry, he has to make the application to the Electricity Board/Private Electricity Distributing Agencies, for giving HT/LT power connections to the unit. An application has to furnish a lease guarantee of ten years and also pay security deposit of the prescribed quantum. A solvency certificate has also to be provided, in the case the applicant happens to be other than the owner of the building. Over and above, if the installation takes place, in Municipal areas the license for that purpose, is also to be issued by the local municipality.

(e) *Town-Planning and Local Boards.*

3.11. The Directorate of Town Planning controls the environment and land used for various purposes, one among them being for location of industries. With the approval of Directorate of Town-Planning and Directorate of Health Services, the District Municipalities notify the 'industrial' areas and 'residential' areas in respect of corporate bodies. In consultation with the Directorate of Town-Planning, the Panchayats/Panchayat Unions accord sanction for installation of machinery to various industries and the Chief Inspector of Factories approves the Factory plan.

3.12. The Department of Town-Planning, Tamil Nadu, makes provision for notifying areas in local bodies as development areas, wherein the land uses will be specified in the respective schemes worked out by the Department of Town-Planning. Under these schemes, areas are set apart for residences, industries, commerce, business, recreation and such other public uses including schools, hospitals, dispensaries and so on. Any area notified as 'industrial' either under District Municipalities Act or Corporation Act or Town-Planning Act, installation of machinery for running industries as specified in the notification could be allowed by the respective local bodies. In case of notification for 'residential' areas made under Tamil Nadu Public Health Act, no installation of machinery except for running cottage industries could be allowed. In areas not coming under the notification of either 'residential' or 'industrial', installation of machinery of non-offensive character upto a maximum of 15 HP. can be allowed subject to certain conditions prescribed by Health authorities. The Village Panchayat Act provides the local bodies to obtain the prior sanction of the District Health Officer, Directorate of Town-Planning and Chief Inspector of Factories before sanction of the installation of machinery. The Regional Deputy Director of Town-Planning is vested with the powers for approval or rejection to set-up industries as advised by Officers from Health and Factories Department.

III. Power and Water Facilities to Small-Scale Sector.

(a) State Electricity Board.

3.13. The procedure for a new unit to apply for the required power to the Electricity Board is narrated in item II (d). The Electricity Board/Private Electricity Distributing Agencies, fix the tariff for the power consumed periodically which are annexed at VI. The equipments installed in the factory are inspected by the authorities concerned, from time to time and a renewal certificate is issued.

(b) Water.

Normally water rate is not charged where there is no arrangement for water facilities at the cost of municipalities or panchayats. The water tariff has also been very reasonable wherever water has been arranged by Government and Semi-Government organisations either through Canal system or by Overhead Tank arrangements.

(c) Training.

In order to meet the requisite trained technicians especially for the units located in the industrial estates, the Government in most of the cases arranged to establish the Industrial Training Institutes nearer to the estates, so that the needs of the technical personnel could be properly assessed and the courses for imparting training in every year could be decided in co-ordination with the industrialists in the estate. The curriculum of the training is expected to be drwan mainly to meet the technical service needs of the units in industrial estates. But at present, the industrialists in the estate make their own arrangements to recruit themselves, the personnel required for their units from outside, as raw hands, and then give training within their unit. Thus the main objectives of locating the Industrial Training Institute in the Estate have not yet been fulfilled. Apart from this, there are also schemes to conduct part-time course and evening course to get the existing workers in the units suitably trained. There is every prospects of ITI to having closer co-ordination with the Industrial Units in the proper of conduct of technical courses run from time to time.

CHAPTER IV.

RECOMMENDATIONS.

I. INFRASTRUCTURE FACILITIES.

(a) Water.

4.1. It has been examined and found that the provision of water was found to be adequate to meet the present demands. There is also good scope for meeting the required demand in the coming period and that there may not be any direct impact on the industry to a large extent with the existing tariff rates charged by Panchayats/Municipalities. Generally Small-Scale Industries are not water based units compared to medium and large scale units, with the exception of a few chemical, rubber and cement product units. It may not be possible to make any specific recommendation on water facilities for these units alone as they may be few in number and scattered. It will be only possible to make specific provision either in developed plots or in the industrial sheds with intention to cater specifically to these types of units. This has been complied with to some extent in the industrially developed plots at Mettur earmarked for chemical units.

(b) Power.

4.2. There were certain concessions available for small-scale units having installed power up to 20 HP. This has not been effectively operated for the reason that the procedure for claiming the concession was very cumbrous. It is suggested that the industrialists should claim rebate from the Electricity Board after being recommended by the Director of Industries. Then the reduced rate is straightaway charged and Government should device a method whereby the loss to Electricity Board is reimbursed annually by the Government. It will then be easier for the small-scale industries to take advantage of this benefit. The problem raised by the Electricity Board was that it is not possible to calculate the exact loss that will be incurred on account of granting this benefit in view of the fact that small-scale industries are large in number and spread all over the State. This problem could be overcome when it is decided that instead of reimbursing the amount equivalent to the extent of loss incurred, a figure is arrived at, acceptable to both Government and Electricity Board, for payment as grant by the Government to the Electricity Board for operating this incentive scheme.

4.3. The Group also recommends that the limitations for the purpose of concession be raised to 50 HP. and concession is made available to all small-scale units in the best interest of their development. There is a limitation of 130 HP. installation in the case of LT. supply for small-scale units by Electricity Board. This limitation has to be extended to municipal supply areas also. There are general complaints about the high fluctuations in voltage particularly in nights causing damage to the equipment. The Electricity Board should consider installing voltage regulators in such places wherever it could viably work.

4.4. The tariff of the Electricity Board sometime ago was the same as that of the Municipal licensees. Recently the tariff has been raised by the Electricity Board and it has sent proposals to Government to permit the Board for proportionate increase in tariff to the bulk municipal consumers, so that the municipal licensees will also be in a position to bring the tariff in line with the present tariff of the Electricity Board. However, in case of the private licensees, the tariff is found to be more than the rates charged by the Electricity Board and Municipalities which may be due to the reason that the private licensees work on commercial lines and could not afford to lose any portion from their overheads to show such concessions to small-scale industries.

4.5. It is recommended that as a measure of preferential treatment to S.S.I. concession extended by the Electricity Board for the both H.T. and L.T. supply should be made uniform to both Municipal Licensees and Private Licensees. If either of these bodies could not absorb the impact on the concessional tariff by themselves, the Government may consider reimbursement of the loss, if any, sustained by them. In short, S.S.I. should get power at uniform concessional rates regardless of whether the supply is effected through Electricity Board or Municipality or Private Licensees.

4.6. It is roughly estimated that the power demand for the S.S.I. which is at present about 20 per cent of the total power utilisation in the State, is likely to increase by about 30 per cent of the total available power by 1984, due to the targetted aim of 200 per cent of the development of S.S.I. by them. Care has, therefore, to be taken to meet this increased demand of power.

(c) Land.

4.7. In the case of industrial estates and developed plots, the Government have themselves instituted the land acquisition proceedings and arranged for land. For other industries, it will be difficult to make available any land by instituting land acquisition proceeding for the reason that in the case of small pieces of land it may not be worthwhile to follow such procedure and the party will also be not in a position to wait till the acquition is finalised.

4.8. However, in order to enable good growth, of new units, the Panchayats/Municipalities should immediately arrange to survey the lands in their jurisdiction and also demarcate the ' residential ' and ' non-residential ' areas, so that it will be possible for new units to take ' non-residential ' areas without much of formalities. In areas where the municipalities or panchayats are not in a position to decide either way, they could atleast in consultation with the factories and Health Department decide the type of industries that can be settled there, without causing any hazard to inhabitants of the locality. In the ' non-residential ' area under each Panchayat or Municipality, the SIDCO may consider reserving these lands for conversion as developed plots to allot either on lease or on the Hire Purchase system.

(d) Worksheds and Developed Plots.

4.9. The major industrial estates at Ambattur and Guindy and some other estates are let out on rental basis. The estates that have come under IV Plan have provision to be allotted on hire purchase. In such cases, the type and design can be suitably altered

to suit the need of the industries proposed to be started in such estates with provision of land for expansion purposes. The necessity for having more industrial sheds has already been recognised by SIDCO and provided by constructing sheds according to the demands of the industrialists in various parts of the State, though the Industries Department also has a programme to cover all the revenue divisions, with such estates. The Revenue divisions so far covered by the Department of Industries in provision of estates is 35 and 13 number of estates are still to come up in future.

II. Licencing System of Small Scale Units.

4·10. *Power*—There should be a common application form for both H.T. and L.T. connections. These applications are to be processed within a month. The provision of solvency certificate should be dispensed with in case the investment of the Electricity Board, is below Rs. 3,000. The lease period of 10 years should be reduced to a minimum of 5 years in all cases. The Electricity Board should agree for providing bank guarantee or any other Government bond, such as National Defence Bond or Electricity Board Loan Bond, etc., by the applicant in lieu of the security deposit insisted for the power installation. The Board should give more powers to the Regional Officers to approve the estimates for power installation in order to expedite the work of power connections, i.e., Rs. 5,000 to Assistant Engineers, Rs. 20, 000 to the Divisional Engineers and Rs. 50,000 to the Superintending Engineers.

In cases where the Electricity Board accepts in principle to the extension of power connections to the industries, but the Electricity Board does not hold the installation material in stock, the Board should agree to the provision of such materials of suitable specifications and quality acceptable to it, by the consumer and also to the reimbursement of the cost of these materials by it, not exceeding the value provided in the estimate. This is suggested to enable the industries to get power connections early without any bottlenecks for want of stock of installation materials.

A new entrepreneur is expected to file his application to Electricity Board simultaneously when applying to other licensing agencies. The Electricity authorities without waiting till the licensing of other Departments, should take up all the preliminary work such as surveying and preparing the estimates, etc., for giving power connection so that the entrepreneur who has fulfilled all the reasonable formalities can get power connection sufficiently early and commence production, when other agencies like Factories, Town Planning and Local Boards give clearance to him.

4·11. For purpose of giving power connection, the issue of installation license in Municipal and Panchayat areas should be dispensed with and only the prescribed fee for the purpose of licensing power installation should be collected. There also, the renewal system for power license every year should be a matter of routine work by levying the fees fixed and no separate license is required to be issued for this purpose every year.

At present the Municipalities/Panchayats charge fees for issuing installation licenses, Running Licenses and H.P. charges (based on the total load). It is seen that these rates vary widely for each body. The fees should be made uniform for all Municipalities/ Panchayats throughout Tamil Nadu.

4·12. *Health.*—All Cottage and S.S.I. units with the installation of machines up to 5 H.P. could be considered for licensing by Health Department without the intervention of Factories Department. The health regulations may be dispensed with in cases of smaller units having power installation of 2 H.P. The running licenses issued by Health Department should be automatically renewed on payment of necessary fees and it should not be delayed for whatsoever reasons, unless there is a *prima facie* case of the unit having contravened the health regulations.

4·13. *Factories Department.*—In the case of Engineering units and units having installed more than 5 H.P., only the Factories Department should have their role. This Department may however seek technical advice from Health and Town Planning Departments, in special issues if any, before licensing a new unit. This is suggested to primarily avoid more than one agency to screen an application in same aspects.

4·14. One constant demand from small scale industries, has been to decentralise the power of issue of factory license and to vest it with the Superintending Inspectors of the circles concerned. The obstacle in the way of implementing this suggestion is the fact that the Factories Act does not allow this delegation. In lieu of amending the Factories Act, a practical way of solving this problem will be to device administrative means by which the application received from various districts are automatically passed at the Head Office. In other words, instead of delegating the power to district authorities, the recommendation of the district authorities could be accepted without additional delay.

The maintenance of various registers, under Factories Act, has to be thoroughly reviewed and simplified. The reports sent to the Factories Department have to be consolidated and only one or two reports (half-yearly or annually) should be submitted.

4·15. When once the applicant satisfies the conditions of the Act and gets the factory license initially, any subsequent minor rearrangements of the lay-out of the machines and changes of the prime movers within the permitted H.P. load, should be automatically considered post approval on application subject to the condition that the applicant will not violate any major condition of the Factory Act.

In short, after examining certain regulations of the Factories Act, the Working Group feels that the Act itself requires are-orientation on certain issues for fostering the growth of Industries in general. The Act has to be reasonably modified without affecting the living conditions of the workers or the neighbours. As the Act is under the purview of the Centre, it is recommended that the State Government may take up with the Centre for thorough examination of the various provisions in the Act and to simplify them to the extent possible.

4·16. *Town-Planning.*—The main problem in setting up a new industrial unit is that of getting the clearance of a Panchayat Union and subsequently that of the Town-Planning Department. Under section 3-VIII-D of the Panchayat Act, the permission of the Panchayat or the Municipality becomes necessary, in the case of each individual applicant who wants to set-up an industry even in an area declared as ' industrial ' and even if the industry is within the eligible H.P. limit. This provision results in considerable delay before the application is processed and approved, and the Panchayat and the Municipalities

on administrative and other means delay the sanction with the result that the industrialists cannot start the industry even though he falls within all eligible limits. The only solution appears to amend such Act in such a way as to restrict the power of the Panchayat or Municipality to define what is an ' industrial area ' or not. Once this definition is made, there will not be any obstacle in the way of an industrialist, who wants to start an industry in an ' industrial area ' and his application can straightaway be considered by the Regional Town-Planning authority without having to go through the Panchayat Union. This also involves that the Town Planning Department and Municipalities should take up the issue of clearly demarcating the areas as ' industrial ' or ' residential '. In areas which do not fall under either category, the types of industries that can be allowed to come into these areas can also be decided, so that only those industries can be fostered in such areas.

General.

4·17. The Working Group feels that there should be an agency such as the Tamil Nadu Small Industries Development Corporation Limited, to take up the work of preparing brochures district-wise showing the industrial areas approved by the different panchayats and Municipalities and also the agencies to whom the applications for license have to be made by a new entrepreneur. This brochure should also contain the details of growth centre, identified for setting up units on industry-wise basis. The Working Group after examining the functions of the various agencies felt that none of these Government agencies could be avoided as they have to be in one way or other connected in starting new industries. At the same time, the necessity for applying to so many agencies will dampen the enthusiasm of the industries. Possibly the procedure has to be streamlined and the processing of the applications has to be expedited. In order to meet these objectives, it is suggested that the licensing agencies should dispose of the applications within a period of say, 30 days. There should also be a co-ordinating cell for all these agencies at district level, to take care of the entrepreneurs and to take up the agrieved cases. Such a cell in order to have effective control, could be only the District Level Committee, under the Chairmanship of the Collector assisted by the Officers of the concerned departments, as its members. The Licensing Departments should either give clearance within 30 days or place the applications before the District Level Committee with a note detailing the points of their objection. The decision of the District Level Committee should be final and binding. If within that period of say, 30 days, the application is not disposed in either of these ways, then the entrepreneur should be permitted to proceed further in starting industries.

Training.

4·18. In order to meet the technical service needs at least for sophisticated industries located within the major estates namely, Ambattur and Guindy, the training programmes should be drawn by the Department of Employment and Training every year, in co-ordination with the leading associations of the Industrial Estates Manufacturers and the Administrative Officers concerned. A proper survey well in advance before the commencement of the training should be conducted to ascertain from the industrialists of the estates, as to be the number of trained hands required in the next 3 years in

each trade, and the type of training that may be imparted to the candidates to suit the needs of the industrialists. The number of seats required in each training could also be adjusted in such a way that in case in a year, the demands for a particular trade is less, than the seats required for imparting training, the Department of Employment and Training should consider recruiting students from outside to fill in the gap. These co-ordinated efforts will perhaps improve the standards of the technical personnel working in the units resulting in higher productive efficiency.

Incentives.

4·19. The Working Group already was met with various requests from different industrialists suggesting reducing rent, moratorium from payment, free land, free provision of water, power, etc. It is not possible to arrive at any common incentive which will satisfy the demands of everyone, because the demands will vary from place to place and industry to industry. Atleast for certain selected backward areas where industrial growth can come up only with the result of provision of specific incentive schemes, it will be worthwhile thinking of providing incentives to industrialists who have to approach to too many agencies for getting all these things. No blanket recommendation is possible as to what should be the rent or what should be the period of moratorium for an industry. The discretion should be left with the agency implementing the programmes. If this concerned agency is also given the freedom to acquire and sell land in metropolitan centres where the transaction can result in profit, it is perhaps possible that the loss incurred in giving incentives could be balanced by profits made in providing land in industrial estates and in other areas where there is competition even among the industrialists to get them. One distinctive point will be to survey the Guindy industrial area up to Kancheepuram and without in any way hampering the growth of small industries, it is possible to allot land and construct estates in metropolitan areas for offering incentives to small industries in areas where they are necessary. This suggestion is made with the idea that the agency can be run on a commercial line even if it is an autonomous Corporation. The Maharashtra State Industrial Development Corporation is following the procedure of auctioning the plots in metropolitan centres and granting plots on subsidised rates in mofussil areas. Such a practice can be followed here also and a single agency can implement both the schemes and attend to the dispersal of package incentives to Small Scale Industries.

ANNEXURE I

STATISTICS OF REGISTERED SMALL SCALE INDUSTRIES UNITS FROM 1967 TO 1970.

(DISTRICT WISE).

District.	Registered up to 1966.	During the years. 1967.	1968.	1969.	1970.	Grand total as on 31st December 1970.	As on 30th June 1971.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Chingleput	892	157	273	455	86	1,863	1,863
Coimbatore	1,000	166	225	273	527	3,191	2,340
Dharmapuri	..	28	17	51	36	132	264
Kanyakumari	143	17	12	16	3	191	191
Madras	2,692	424	675	1,803	642	6,236	6,429
Madurai	769	124	144	231	287	1,555	1,555
Nilgiris	17	5	9	..	25	56	59
North Arcot	494	39	94	147	132	906	1,029
Ramanathapuram	810	107	85	1,145	110	2,257	2,265
Salem	1,461	83	579	180	70	2,373	2,373
South Arcot	342	9	81	205	156	793	890
Thanjavur	502	60	71	707	52	1,392	1,473
Tiruchirappalli	551	74	71	163	178	1,037	1,089
Tirunelveli	758	89	65	151	186	1,249	1,388
Total	10,431	1,382	2,401	5,527	2,490	22,231	23,208

ANNEXURE II.

DETAILS OF THE CONVENTIONAL, FUNCTIONAL AND ANCILLARY INDUSTRIAL ESTATES IN TAMIL NADU.

Serial number and name of the Industrial Estate.	*Location.*	*Number of sheds.* Sanctioned.	*Number of sheds.* Constructed.	*Proposed for construction.*
(1)	(2)	(3)	(4)	(5)
1 Guindy	Guindy	139	139	6
2 Ambattur	Ambattur	147	137	14
3 Madurai	K. Pudur	70	40	4
4 Virudhunagar	Sulakarai	15	15	..
5 Dindigul	Dindigul	24	18	..
6 Karaikudi	Karaikudi	18	12	..
7 Sivaganga	Sivaganga	12	6	..
8 Theni	Theni	12	7	..
9 Tiruchirappalli-10	Ariyamangalam	35	29	6
10 Thanjavur	Thanjavur	10	6	4
11 Kumbakonam	Kumbakonam	6	4	..
12 Pudukkottai	Pudukottai	18	12	..
13 Karur	Karur	8	4	4
14 Nagapattinam	Nagapattinam	6	4	..
15 Pettai	Pettai	16	12	4
16 Koilpatti	Koilpatti	18	11	..
17 Marthandam	Marthandam	5	5	..
18 Nagercoil	Nagercoil	12	6	..
19 Katpadi	Kangeyanallur	26	16	4
20 Arkonam	Arkonam	18	8	..
21 Kancheepuram	Orikkai	4	4	..
22 Erode	Erode	15	11	4
23 Krishnagiri	Krishnagiri	18	12	..
24 Mettur	Karumalaikudal	8	4	4

ANNEXURE II—*cont.*

Serial number and name of the Industrial Estate.	*Location.*	*Number of sheds.*		*Proposed for construction.*
		Sanctioned.	*Constructed.*	
(1)	(2)	(3)	(4)	(5)
Conventional Industrial Estate under implementation—				
25 Cuddalore	Kondur	6	..	..
26 Hosur	Hosur	6	4	6
27 Namakkal	(To be decided)	6	..	..
28 Salem	Reddiyur	6	6	..
29 Tiruvannamalai ..	.. .. ..	..	..	..
30 Dharmapuri	.. .. ..	..	..	..
Functional Industrial Estates—				
31 Ootacamund	To be decided	6	..	..
32 Kakkalur	Kakkalur	16	10	4
33 Madhavaram	Madhavaram	25	18	..
34 Vridhachalam	Vridhachalam	29	21	..
Functional Industrial Estates under implementation—				
35 Drugs and Pharmaceuticals.	.. .. ..	25	..	..
36 Food and Food Based I.E.	Bathlagundu	26	4	..
37 Instronics	Adyar	35	18	3
Ancillary Industrial Estate—				
38 Tiruverumbur	Tiruverumbur	30	10	14
39 Vadalur	Vadalur	6	6	..

ANNEXURE III.

PRIVATE AND CO-OPERATIVE INDUSTRIAL ESTATES IN TAMIL NADU.

	Number of sheds. Sanctioned. (1)	Constructed. (2)
Private.		
1 K. R. Sundaram Private Industrial Estate, Tiruvottiyur.	20	20
2 Coimbatore Private Industrial Estate, Coimbatore ..	100	42
Co-operative.		
3 Tuticorin Co-operative Industrial Estate, Tuticorin ..	20	20
4 (*a*) Sakthi Co-operative Industrial Estate, Pollachi ..	34	14
(*b*) Sakthi Co-operative Industrial Estate, Udumalpet ..	16	6
5 Sivakasi Co-operative Industrial Estate, Sivakasi	30	20
6 Vyasarpadi Co-operative Industrial Estate, Vyasarpadi ..	100	53
7 Salem Co-operative Industrial Estate, Salem	35	12 (Six under proposed construction.)

ANNEXURE IV.

PARTICULARS OF THE DEVELOPED PLOTS.

Name of the Estate.	*Area acquired for Developed Plots.*	*Saleable Area.*	*As on 14th June 1972 sold acres.*	*Number of plots.*	*Number of industries.*
(1)	(2)	(3)	(4)	(5)	(6)
1 Ambattur	983·06	772·990	556·31	219	182
2 Guindy	157·43	59·00	59.00	84	70
3 Mettur	209·06	143·907	17·31	18	[illegible]2
4 Madurai	525·49	188·00	29·35	19	15
5 Tiruchirappalli ..	478·38	104·00	49·85	34	25
6 Tiruvellore ..	104·00	..	..	..	..
7 Ranipet	712·00	..	..	..	..

ANNEXURE V.

PARTICULARS OF THE INFRASTRUCTURE FACILITIES AVAILABLE IN THE INDUSTRIAL ESTATES AND DEVELOPED PLOTS THROUGHOUT TAMIL NADU.

1. *Industrial Estate, Ambattur* :

   1 Tool Room.
   2 Structural Workshop.
   3 Common Lease Shop.
   4 State Bank of India.
   5 Indian Overseas Bank.
   6 Life Insurance Corporation of India.
   7 Post Office.
   8 Telephone Exchange.
   9 Fire Station.
   10 Police Station.
   11 Railway Booking Office.
   12 Government Dispensary.
   13 Canteen.
   14 State Transport Depot.

2. *Industrial Estate for Ceramics, Vridhachalam*—

   1 Common Service Facility Centre—

   Supply of processed materials like glaze, body, etc. and firings in the common kiln.

   2 Testing and Certification facility in the ceramic Institute.

3. *Industrial Estate, Madurai*—

   1 One Extension Centre of Government of India Unit.
   2 One Tool Room Shop.
   3 Textile Mill Parts Unit.
   4 Electro Medical Equipment Centre.
   5 Raw Materials Depot.
   6 Branch Post Office with Public Call Office.
   7 Canteen.
   8 First Aid Post.

4. *Industrial Estate, Vridhunagar*—

   1 Branch Post Office.
   2 Tool Room Shop.
   3 Canteen.
   4 First-Aid Post.

5. *Industrial Estate, Karaikudi*—

   1 Branch Post Office with Public Call Office.

6. *Industrial Estate, Pettai*—

1 Tool Room Shop.
2 Post Office.
3 Canteen.
4 Telephone.

7. *Industrial Estate, Kovilpatti*—

1 Telephone.

8. *Industrial Estate, Marthandam*—

1 Canteen.
2 Telephone.

9. *Industrial Estate, Katpadi*—

1 Tool Room Shop.
2 Canteen.
3 Foundry Service.

10. *Industrial Estate, Arkonam, Kancheepuram and Vadalur*—

No common facilities are available.

11. *Industrial Estate for Leather Goods, Madhavaram*—

1 Common Facility Centre.
2 Canteen.
3 Post Office.

12. *Industrial Estate, Guindy*—

1 Post Office.
2 State Bank of India.
3 Fire Service Station.
4 Raw Material Depot.
5 Canteen.
6 Tool Room
7 Forge and Heat Treatment Shop.
8 Pressure Die Casting Unit.
9 Fractional Horse Power Unit.
10 Die and Tool Design Section.
11 National Metalurgical Laboratory.
12 Vehicles for Transport.
13 Railway Booking Office.
14 Esso Depot.
15 Rest Sheds.

13. *Industrial Estate, Tiruchirappalli—*

1 Tool Room Shop.
2 Branch Post Office.
3 Canteen.
4 First Aid Post.

14. *Industrial Estate, Thanjavur—*

1 Tool Room Shop.
2 Canteen.

15. *Industrial Estate, Pudukottai, Nagapattinam, Karur and Kumbakonam—*

No common facilities are available.

16. *Industrial Estate, Erode—*

1 Tool Room.

17. *Industrial Estate, Krishnagiri—*

1 Post Office.

18. *Labour Tenament Facilities—*

Serial number and name of Industrial Estate.		*Number of Labour Tenaments.*	
		Single Roomed Tenaments.	*Double Roomed Tenaments*
(1)		(2)	(3)
1	Industrial Estate, Guindy	386	20
2	Industrial Estate, Ambattur	54	99
3	Industrial Estate, Madurai	104	..
4	Idustrial Estate, Vridhunagar	20	..
5	Industrial Estate, Dindigul	32	..
6	Industrial Estate, Theni	20	..
7	Industrial Estate, Karaikudi	20	..
8	Industrial Estate, Erode	20	..
9	Industrial Estate, Pettai	60	..
10	Industrial Estate, Koilpatti	20	..
11	Industrial Estate, Tiruchirappalli	52	..
12	Industrial Estate, Thanjavur	20	..
13	Industrial Estate, Pudukottai	20	..
14	Industrial Estate, Katpadi	32	..
	Total	860	119

ANNEXURE VI-A.

Particulars of H. T. and L.T. Tariff of the Electricity Board, Municipal Licenses and Private Licences.

Serial number and name of Licensee/Municipality. (1)	*Low Tension.* (2)	*High Tension.* (3)			*Remarks.* (4)
		For industrial purposes monthly consumption KWH. (1)	*Rate per KWH in paise.* (2)	*Rate per KVA. of Maximum demand per month.* (3)	
1 Coimbatore Municipality, Electricity Department.	(*a*) Industrial power at 400 volts or lower : First 2,000 units per month at 12 paise per unit. All in excess per month at 11 paise per unit. Monthly minimum—Rs. 2·50 per HP. (or equivalent 746 watts) of contracted load fraction of a HP. (or equivalent) will be reckoned as one HP. for the levy of monthly minimum charges. For welding sets this rate will be increased by 20 per cent.	For the first 1 lakh units per month.	6·50	For the first 500 KVA. per mensem.	For High Tension : (i) the tariff is subject to a minimum payment of half the contract load in KVA Rs. 100 per annum per service. (ii) At the option of the consumer the demand may be billed on a KW. basis in which case the above rate will be increased by Re. 0·50 per month per KW.
	(*b*) Bulk supply at 400 volts ; (i) for mixed loads of lighting, heating and power ; lighting not to exceed 15 per cent of monthly consumption : Maximum Rs. 100 per month. (ii) For mixed loads of lighting, heating and power ; lighting not be less than 15 per cent and not to exceed 50 per cent of monthly consumption. Entire consumption per month 20 paise per unit. Minimum Rs. 125 per month per service.	Next 2 lakhs units.	6·00	All in excess	
		All in excess.	5·20	Rs. 9 per KVA per mensem.	
		For commercial and industrial purposes—Rate as above plus 20 per cent.			
2 The Karur Municipal Electricity Department.	General Industrial tariff : For small power of three HP. and above : (a) Industrial power at 400 volts or lower : First 2,000 units per month at 12 paise per unit. All in excess per month at 10 paise per unit. Monthly minimum of Rs. 2 per HP. or equivalent connected load. Fraction of a HP. or equivalent shall be reckoned as one HP. for the levy of the monthly minimum charges.	....			..
	B. Bulk supply at 400 volts ; For mixed loads of lighting, heating and power where the connected and utilised load of lighting does not exceed 15 per cent of total connected and utilised load.	..			

	First 2,000 units per month—15 paise per unit. Next 4,000 unit per month—11 paise per unit. All in excess per month —8 paise per unit. Minimum monthly charge Rs. 100.				
3 The Salem Erode Electricity Distribution Company Limited.	Power loads : (i) Power supply to Low Tension consumers : First 2,000 units per month 13 paise per unit. All in excess units per month 12 paise per unit. Monthly minimum charge Rs. 2 per HP. of connected load per month. All fractions of 1 HP. will be treated as 1 HP. for the purpose of minimum charge. 2. Combined lighting and power loads : For mixed loads of lighting, heating and power where the connected and utilised load for lighting and fans is less than 50 per cent of the total connected and utilised load ; First 2,000 units per month—18 P. per month Nil in excess units per month—17 P. per month. Monthly minimum charge Rs. 6 per service.	*Monthly Consumption in KWH.* (1) First 50,000 units. Next 50,000 units. Next 2,00,000 units. Next 5,00,000 units. All in excess.	*Rate per KWH (paise).* (2) 5·75 (F) 5·60 (L) 5·90 (U) 4·00 (S) 3·75	*Rate per KVA of maximum demand per month.* (3) First 500 KVA Rs.8. Next 500 KVA Rs. 7. All in excess Rs. 6.	For High tension (1) The tariff is subject to a minimum payment of Rs. 50 per KVA of connected load per annum per service. The connected load for lighting must not exceed 15 per cent of that for power and heating. If this lighting load exceeds 15 per cent the supply for this purpose will be separately metered and charged for at Low tension tariff. For Low tension for restricted hours between 10 p.m. and 6 a.m. first 2,000 units per month 12 paise at units, all in excess 11 paise per unit. For the time between 5 P.M. and 10 P.M. the rate is liable to a surcharge of 20 per cent.
4 The Tirunelveli-Tuticorin Electric Supply Company Limited.	Power loads—for supply to low tension power consumers : (*a*) For unrestricted working : First 2,000 units per month—13 paise per unit. All in excess 12 paise per unit. (*b*) For restricted hours working : For working between 10 p.m. and 6 p.m. the next day First 2,000 units per month—12 paise per unit. All in excess 11 paise per unit. Guaranteed consumption of power shall not be less than that equivalent to Rs. 24 per HP. connected per year ; otherwise balance will have to be paid. All fractions of 1 HP. will be treated as 1 HP. for the purpose of the minimum charges. (2) Combined lighting and power loads : For mixed loads of lighting and fans, heating and power where the connected and utilised load for lighting and fans is less than 50 per cent of the total connected and utilised load. First 2,000 units per month—18 paise per unit. All in excess 17 paise per unit. Monthly minimum charges Rs. 60 Per Service.	*Monthly consumption in KWH.* (1) First 50,000 units. Next 50,000 units. Next 2,00,000 units. Next 5,00,000 units. All in excess of 8,00,000 units.	*Rate per KWH.* (2) 5·75 5·50 5·00 4·00 3·75	*Rate per KVA* (3) First 500 KVA. Rs. 8. Next KVA. Rs. 7. All in excess Rs. 6.	For High tension The connected load for lighting must not exceed 15 per cent of that for power and heating unless connected to a separate circuit which will be metered and charged separately at the standard Low tension tariff. For Low tension : For supply to welding sets to be separately metered, this rate will be increased by 20 per cent minimum charge Rs. 2 per HP. per month. All energy used for under this tariff between 6 p.m. and 10 p.m. is liable to a surcharge of 20 per cent.

ANNEXURE VI-A—*cont.*

Serial number and Name of Licensee/Municipality.	*Low Tension.*	*High Tension.*	*Remarks.*
(1)	(2)	(3)	(4)
Shencottah Electric Supply Agency	*Power loads.*—(For supply to low tension power consumers) 12 paise per unit for first 2,000 units per month. Eleven paise per unit all in excess. Minimum Rs. 2·50 per HP. per mensem per service. Fraction of HP. will be reckoned as 1 HP. for the levy of monthly minimum charges. Combined lighting and power loads. For mixed loads of lighting, fans, heating and power where the connected load for lighting and fan is less than 50 per cent of total connected load 22 paise per unit subject to minimum of Rs. 60 per service per month.	Rs. 9 per KVA on maximum demand paise 7·05 per unit. For lighting, up to 10 percent of the power consumption will be allowed at power rate. The rest at the LT. tariff for lighting.	....
6 The South Madras Electric Supply Corporation Limited, Tiruchirappalli.	*Power load.*— (For supply to low tension power consumers). All units consumed in a month at 19 paise per unit. Monthly minimum Rs. 3 per HP. (or equivalent) connected load per service (Fraction of a HP or equivalent) will be reckoned as one HP. for levy of monthly minimum charges. *Combined lighting and power loads.*—For mixed loads of lighting, heating and power where the connected load for lighting and fans is less than 50 per cent of the connected load. All units in a month at 32 paise per unit. Monthly minimum Rs. 100 per service.	*Monthly consumption in KWH.* (1) / *Rate per KWH.* (2) / *Rate per KVA of maximum demand for month.* (3) First 1 lakh units. — 6·5 — First 1,000 KVA at Rs. 10 For excess above 1,000 KVA at Rs. 9. Next 2 lakh units. — 6·0 + All in excess units. — 5·25 The above tariff is subject to a minimum payment of Rs. 3,000 per annum per service.	....
7 The Vellore Electric Corporation Limited.	*Power loads.*—For supply to low tension consumers. 12 paise per units for the first 2,000 units and 11 p. per unit all in excess, in the monthly consumption. Monthly minimum of Rs. 2·50 per H.P. (or equivalent 746 watts) of connected load. Fractions of a H.P. (or equivalent) will be reckoned as one H.P. for the levy of monthly minimum charges. For welding sets this rate will be increased by 20 per cent.	*Monthly consumption in KWH.* (1) / *Rate per KWH (paise).* (2) / *Rate per KVA of maximum demand per month.* (3) First 1,00,000 units. — 6.5 — First 500 KVA. Rs. 10 All in excess Rs. 9 Next 2,00,000 units. — 6·0 Excess above three lakhs units. — 5·25	*For H.T.*—In case of new industries concessional tariff as below will be charged : for the first three years 66⅔ per cent. of HT. tariff bill. For the fourth year 80 per cent of HT tariff bill. For the fifth year 90 per cent of HT. tariff bill. For the sixth year full tariff. This concession is applicable only once to consumer for a new industrial undertaking. Not applicable for subsequent expansion or diversification of

	Combined lighting and power loads : for mixed loads of lighting, fans, heating and power where the connected load for lighting and fans is less than 50 per cent of the total connected load, 22 p. per unit. Monthly minimum charge is Rs. 60 per service.	**Minimum payment is half the connected load in KVA × Rs. 100 per annum per service.**	**production or a new branch for the manufacture of the same product as the parent organisation.**
8 Pollachi Municipality Electricity Department.	*General industrial tariff.*—Upto 2,000 units per mensem 12 p. per unit. All in excess 10 p .per unit. Special minimum per mensem, for cunsumers of 5 HP Rs. 2 per HP. for motors 5 HP and under 2,250 units per year connected load will be the minimum and charges for bulk supply at 400 volts. (i) Mixed load of lighting and heating and power where the connected load and utilised load for lighting and fans not exceeding 15 per cent of the total connected and utilised load. Up to 2,000 units 13 p. per unit. All in excess 11 p. per unit. Monthly minimum Rs. 120. (ii) Mixed load of lighting, fans, heating and power when the connected and utilised load for lighting and fans exceeds 15 per cent but less than 50 per cent of the total connected and utilised load. Up to 2,000 units 15 paise per unit. All in excess 12 paise per unit. Monthly minimum Rs. 60.	....	....
9 The Kumbakonam Electric Supply Corporation Limited and the Nagapattinam Electric Supply Corporation Limited.	*Power loads.*—For supply to low tension power consumers: For first 2,000 units per month 19 paise per unit. All in excess 13 paise per unit. Monthly minimum Rs. 3 per H.P. (or equivalent) will be reckoned as one Fraction of a HP. (or equivalent) or will be reckoned as one HP. for the levy of monthly minimum charges. The qualification for this type of tariff is that this tariff is applicable for a service with a connected load of 3 HP. and below will be charged under tariff for industrial purpose. It is permissible to combine fractional HP. motors to make of a load of more than 3 HP. to take advantage of the tariff. Combined lighting and power loads : for mixed loads of lights, fans, heating and power where the connected and utilised load is less than 50 per cent of the total load. For all units p.m. 32 paise per unit. **Monthly minimum Rs. 100 per service per month.**	At 11,000 volts : Supply to **Industrial establishments and Registered Factories** other than film production, **commercial** and non-industrial purposes. *Monthly consumption.* (1) / *Rate per KWH (paise).* (2) / *Rate per KVA of maximum. demand p.m.* (3) First one lakh units. — **8·00** — **Rs. 10·50 for the first 500 KVA Rs. 9 all in excess 500 KVA.** **Next 2 lakh units** — **6·50** **Excess over 3 lakh units.** — **5·50**	***For HT.*—The methods of charging will be only on KVA basis. The above tariff is subject to a minimum payment of Rs. 2,400 per annum per service or the guaranteed minimum whichever is higher.**

ANNEXURE VI-B.

Low Tension tariff for Power Loads.

Serial number and name of Private Licensee/Municipality.	*L. T. Power load tariff.*
(1)	(2)
1 Coimbatore Municipality Electricity Department.	First 2,000 units per month at 12 paise per unit. All in excess per month at 11 paise per unit.
2 The Karur Municipal Electricity Department.	First 2,000 units per month at 12 paise per unit. All in excess per month at 10 paise per unit.
3 The Salem-Erode Electricity Distribution Company Limited.	First 2,000 units per month at 13 paise per unit. All in excess units per month at 12 paise per unit.
4 The Tirunelveli-Tuticorin Electric Supply Company Limited.	First 2,000 units per month at 13 paise per unit. All in excess 12 paise per unit (For unrestricted working). For restricted hours working between 10 p.m. to 6 p.m. the next day first 2,000 units per month—12 paise per unit. All in excess 11 paise per unit.
5 Shenkottah Electric Supply Agency.	For first 2,000 units per month 12 paise per unit. All in excess 11 paise per unit.
6 The South Madras Electric Supply Corporation Limited, Tiruchirappalli.	All units consumed in a month at 19 paise per unit.
7 The Vellore Electric Corporation Limited.	For the first 2,000 units per month 12 paise per unit. All in excess 11 paise per unit.
8 Pollachi Municipality Electricity Department.	For the first 2,000 units per month 12 paise per unit. All in excess 10 paise per unit.
9 The Kumbakonam Electric Supply Corporation Limited.	For first 2,000 units per month 19 paise per unit. All in excess 13 paise per unit.
10 The Nagapattinam Electric Supply Company Limited.	For the first 2,000 units per month 19 paise per unit. All in excess 13 paise per unit.
11 Tamil Nadu Electricity Board.	All units consumed in a month at 18 paise per unit.

ANNEXURE VII.

Comparative statement of 'Incentives' available for new S.S.I. units by the Industrially advanced States in India.

1. *Taxes.—Sales Tax, Octroi Duty, Power Tax, Property Tax.*

Tamil Nadu .. .. Exemption of Sales Tax is given in deserving cases on merits.

Exemption on electrical consumption Tax is given for a period of five years (since withdrawn).

Mysore .. .. Cash refund of Sales Tax paid for the first 5 years is considered.

Local bodies are persuaded to exempt Octroi duty for five years on raw material purchase.

Exemption from payment of electricity tax for five years is given.

Kerala .. .. Interest free loans are granted to the extent of Sales Tax paid for the first 5 years on the purchases, subject to equal amount of Sales Tax invested on capital assets by the Units apart from loans. Grant of exemption of electricity duty is under consideration of the Government.

Andhra .. .. Refund of Sales Tax on Raw Materials, Machinery and finished products subject to the limitation of 10 per cent of the paid-up equity capital for the whole of five years.

Land revenue or tax limited to the value as paid before the land is put in use for industrial purposes.

Maharashtra .. Cash refund of Sales Tax is paid on Raw Material Purchase and finished goods.

Octroi duty on raw material, Capital goods and building materials imported within the limits of local bodies, is exempted.

Punjab .. .. Purchase and Sales Tax inclusive of Inter-State Sales Tax refunded for five years (only in focal point of growth).

Electricity duty reduced from 20 per cent to 15 per cent.

Property Tax imposed in April 1966 is not charged.

Assam .. .. Deserving cases are considered for tax exemption due to difference of the taxes for adjoining state.

Orissa .. .. Cash refund of Sales Tax paid on raw materials purchase for five years is given. Octroi duty will be exempted on machinery and materials.

ANNEXURE VII—*cont.*

2. *Power Subsidy.*—

TAMIL NADU ..	Concessional tariff on HT supply allowed for five years (since withdrawn). Industries in backward area enjoy reduction of 15 per cent on tariff.
KERALA	Tariff is fixed at lower rate for power intensive units by negotiation. Surcharge for five years is exempted.
MAHARASHTRA ..	Rebate on electricity tariff is allowed for units coming up outside Bombay region subject to their having a load of more than 200 K.W.
PUNJAB	25 per cent subsidy in the tariff is given for five years for certain power-based industries, only in area of focal point of growth.
ASSAM	Extension of power lines for new units are not charged except for the cost of installation incurred within the premises of the consumer.
ORISSA	Electricity is made available at concessional rates (details not available).
ANDHRA	Subsidy to the extent of 10 per cent on power tariff is granted.

3. *Water Rate*—

MYSORE	Concession available for water tax (details not available).
KERALA	Water is supplied generally on the basis of the cost.
ANDHRA	Water rate is exempted on water drawn from the sources not maintained at the cost of Government/local body.

4. *Price Preference or Marketing Assistance*—

TAMIL NADU ..	15 per cent preference is given for S.S.I. products and payment of E.M.D. is exempted.
MYSORE	25 per cent preference for private units and 10 per cent for Government units are given.
KERALA	Preference of 15 per cent for imported goods used by S.S.I. units 5 per cent over the cost of the other States' products 10 per cent over large scale products and 15 per cent for industrial Co-operative products are given.

ANNEXURE VII—*cont.*

4. *Price Preference or Marketing Assistance*—cont.

ANDHRA	Preference of 10 per cent for S.S.I. units and 15 per cent for Government products are given.
MAHARASHTRA ..	No price preference is given excepting that 33 per cent of the Government purchases are reserved for products of new S.S.I. units at the lowest tendered rate.
PUNJAB	Preference of 15 per cent for S.S.I. units in general area and 17½ per cent on the focal points of growth is given.
ASSAM	No price preference is given ; but a central purchase organisation gives price concession to the local units for specified items reserved to be produced at negotiated price and for specified period.

5. *Stamp Duty*—

TAMIL NADU ..	Exempted for instruments executed in favour of T.I.I.C.
MYSORE	Exempted for documents executed in favour of State Financial Corporation.
KERALA	Exempted in respect of instruments executed in favour of State Financial Corporation and Department of Industries.

6. *Assistance for preparation of feasibility report*—

MYSORE	Part of the cost of the report is met by Government in deserving cases.
KERALA	Government's project reports are made available free of cost to the prospective entrepreneurs.
MAHARASHTRA ..	75 per cent of the cost is paid on study done through any agency approved by State Governments.
PUNJAB	50 per cent of the cost is paid for report prepared by consultants approved by State Governments.
ASSAM	Reports prepared by Government will be made available to selected and deserving entrepreneurs free of cost.
ORISSA	50 per cent of the cost of the study report is contributed by the State if prepared byapproved agency.

ANNEXURE VII—*cont.*

7. *Concession in the Industrial Estate*—

TAMIL NADU	Sheds are given at subsidised rent in the Industrial Estate in the initial period.
MAHARASHTRA ..	Free land with only 20 per cent of the cost of the building as share capital is collected from co-operative insdustrial estates.
ASSAM	Fifty per cent of the rent is given as subsidy for specified period to new units.

8. *Loan Assistance*—

TAMIL NADU	State provides guarantee to obtain credit accommodation and also under writing shares.
KERALA	State provides guarantee to obtain credit accommodation and also participates in share capital for sound products.
MAHARASHTRA ..	State favourably considers guaranteeing loans to raise borrowing on the mortgage of the property.
	Under-writing of share capital is also considered on merits.
PUNJAB	Government will under-write share capital up to 25 per cent of the paid-up capital.
ASSAM	Government will participate in share capital in cases of merit.
ORISSA	Government gives facilities to deserving cases in share capital loan and Government guaranteeing under-writing of equity shares in deserving cases are also considered.

9. *Concession in under-developed and backward areas for plot acquiring*—

MYSORE	Assistance up to 18 per cent for setting up units in N.E.S.Blocks is given.
KERALA	Sale or lease of Government land at concessional rates in Ayacut area of irrigation projects and in backward districts is considered.
MAHARASHTRA ..	In developed plots, no rent is charged for first two years.
	Fifty per cent of the economic rent for next four years and full economic rent after six years are charged.
	Half per cent reduction in interest is considered for loans given by State Financial Corporations.

ANNEXURE VII—*cont.*

9. ***Concession in under-developed and backward areas for plot acquiring***—cont.

PUNJAB	Plots acquired by Government are allotted to industry and cost recovered in easy instalments with interest at 4 per cent.

10. *Special Concessions*—

MAHARASHTRA ..	Building materials are given on loan for replenishment after receipt of permits.
PUNJAB	Entrepreneurs holding technical qualifications are given departmental loans up to full cost of building and land.
ASSAM	Royalties on local raw materials are fixed on merits and local raw materials required for S.S.I. units are supplied on subsidised basis.
	Forest products are restricted for movement to outside States and reserved as far as possible for indigenous consumption.

ANNEXURE—VIII.

CONCESSIONS ON POWER TARIFF AVAILABLE FROM ELECTRICITY BOARD TO SMALL SCALE INDUSTRIES.

Part I—Hydro Area.

(Other than thermal area mentioned below).

I. (A) Supply to industrial establishment and registered factories other than those referred to in Tariff II below :—

Class and monthly consumption in KWH.	*Rate per KWH. in paise.*	*Rate per KVA of maximum demand per month.*
(1)	(2)	(3)
For the first 50,000 units	9·25 (P)	For the first 500 KVA Rs. 12·50.
For the next 50,000 units	8·75 (L)	
For the next 2 lakh units	7·75 (U)	For the next 500 KVA Rs. 11·50.
For the next 5 lakh units	6 25 (S)	
For all in excess over 8,00,000 units..	6·00	For all in excess of 1,000 KVA. Rs. 9·50.

The above tariff is subject to be minimum payment of half the contracted load in KVA. × Rs. 150 per annum per service.

Thermal Area.

I (B) Supply to Industrial establishments and registered factories other than those referred to in Tariff II below—

Class and monthly consumption in KWH.	*Rate per KWH in paise.*	*Rate per KVA of maximum demand per month.*
(1)	(2)	(3)
For the first 50,000 units	11·75 (P)	For the first 1,000 KVA. Rs. 14·50.
Next 4,50,000 units	11·50 (L)	
Next 5,00,000 units	11·25 (U)	For all in excess of 1,000 KVA. Rs. 14.
Next 5,00,000 units	10·75 (S)	
Next 10,00,000 units	10·25	
For all in excess of 25 lakh units ..	7·50	

The above tariff is subject to a minimum payment of half the contracted load in KVA × Rs. 200 per annum per service.

The above tariff is applicable to the area where the levy of fuel surcharge has been in vogue till the date of coming into force of this order.

(i) (*a*) In the case of new industries the following concessional tariffs shall be charged for the first 5 years after the commencement of production :—

For the first 3 years	66⅔ per cent of High tension rates under I(A) or I(B) as the case may be.
For the fourth year	80 per cent of the High tension rates under I(A) or I(B) as the case may be.
For the fifth year	90 per cent of the High tension rates under I(A) or I(B) as the case may be.
For the sixth year	Full tariff of the High tension rates under I(A) or I(B) as the case may be.

The above concession shall apply to both unit rates and maximum demand charges. This concessional shall not however be applicable to a consumer who utilises power from his own generating units or makes other arrangements for production purposes and utilises the power supplied by the Board for auxillary purposes only.

NOTE (I).—This tariff concession is applicable only one to a consumer for new industrial undertaking and will not be available for subsequent expansion or diversification of production.

NOTE (II).—If a consumer starts a branch mill for the manufacture of the same products, the branch mill is not eligible for concession.

(i) (*b*) New industries which work in a night shift, i.e., between 9-30 p.m. and 5-30 a.m. the next day, will be given a further concession of 40 per cent on the average " Energy rate " only (i.e. exclusive of " Demand charges ") for consumption during night shift for a period of five years. This concession shall apply to the average energy rate arrived at after giving the new industry concession referred to it in item (i) (*a*).

(*c*) Industries which introduce a night shift newly will be eligible for the 40 per cent tariff concession mentioned in item (*b*) on the same terms and for the same period of five years for consumption during stipulated hours.

(*d*) New industries in and around Mettur Township which avail of power only during the irrigation season (15th July to 15th January) shall be given a tariff reduction of 25 per cent. This concession shall be in addition to the other concessions applicable to the new industries mentioned in items (*a*) and (*b*). If such industries take power during non-season this concession shall not be applicable.

(*e*) New industries to be set-up in industrially under-developed areas notified as such by the Government will be given a reduction of 15 per cent of the tariff. This will be over and above the concessions to new industries specified in items (*a*) and (*b*).

(ii) In all cases of High Tension industrial supply, the connected load under lighting and other non-industrial purposes including appliances but not for resale must not exceed 15 per cent for power and heating as detailed in clause X of the tariff. If any excess under lighting and non-industrial load cannot be segregated or brought within the permissible limit of 15 per cent, then the whole consumption in the service will be charged under High Tension tariff II.

LOW TENSION POWER TARIFF.

IV (*a*) *Power Loads.*—For supply to low tension power consumers for the entire consumption per month—18 paise per unit. Monthly minimum of Rs. 5 per HP. (or equivalent) (746 watts) of contracted load. Fractions of a HP. (or equivalent) will be reckoned as one HP. for the levy of monthly minimum charge.

NOTE.—For supply to welding sets—This rate will be increased by 20 per cent.

IV (*b*) *Factory lighting for consumers under tariff IV* (*a*).—Lighting to be on a separate circuit and metered and charged for under Tariff II with minimum applicable to that tariff.

Where lamps (Ordinary filament) are connected to the power circuit for the use in factory yard only, a flat rate of Rs. 2 per month per 40 watts. lamp will be charged. Larger lamps in proportion and

When fluorescent or mercury vapour lamps are connected to the power circuit, the rate shall be increased as below :—

(i) Fluorescent lamps (or Mercury Vapour Lamp) with choke and condenser.	Fifty per cent over the rate for ordinary lamps.
(ii) Fluorescent lamps (or Mercury Vapour Lamp) either with choke or resistance alone without connecting equipment.	Hundred per cent over the rate for ordinary lamps.

NOTE.—(i) The lamps and connected equipments shall in all cases be installed by the consumer at his cost.

(ii) Except lamps used for indicating pilot or similar purpose, no lighting, fan or radios will be allowed in low tension services under IV (*a*). The wattage in these cases will be limited to 15 watts.

Combined lighting and power loads.—For mixed loads of lighting, fans, heating and power where the connected load for lighting and fans is less than 50 per cent of the total connected load—33 paise per unit for entire consumption.

Monthly minimum—Rs. 75 per service.

Report of the working group on ANCILLARY DEVELOPMENT AND "SUB-CONTRACTING"

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PREFACE.

At the outset, I would like to thank Thiru N. Mahalingam, B.SC.,M.I E., Chairman, Task Force on Small Industries, for having given me the opportunity to be the Convenor of the Working Group on Ancillary Development and Sub-Contracting.

For years, we have been talking about the enormous benefit of Small-Scale Industry and its significant impact on the country's industrial growth and development. No doubt, we have made tremendous progress. But I must say that for the first time, we are trying to shed our emotional and sentimental approach and take a pragmatic and realistic assessment of this broad sector of Industry, looking at the costs and benefits involved, both social and economic.

The State Planning Commission, I feel, has set the pattern and given the lead in adopting the "Systems Approach" for long-term planning having discovered the various problems encountered by merely following the "Target Setting Type of Planning."

Having recognised that ancillary development and sub-contracting is one of the important elements of the Small-Scale Industry ; a working group consisting of experienced people from all sectors was formed to look into all problems and other aspects of development and feed into the overall system of the task force, so that a final purposeful objective can be set and a successful strategy evolved to achieve a balanced growth.

With the able and valuable lead given by Thiru N. Mahalingam, B.SC.,M.I.E., and the active co-operation extended by all the members of the working group, we have endeavoured to provide possible solutions to various problems encountered so far in the field of Ancillary Development and Sub-Contracting. We have also been able to suggest means of utilising and bringing into use the capacity of large industries, and above all, to encourage widespread entrepreneurship to solve to an extent the unemployment problem as well.

I am thankful to my colleagues Thiru E. N. Narayanasamy, Thiru R. Sundararaman, Thiru S. Nagarajan, Thiru B. S. Dass, Thiru L. L. Narayanan, Thiru S. Sankaran and the Secretary of the Task Force on Small Industries, Thiru R. Muthukrishnan, for their untiring efforts in helping me to complete and submit the report on time.

Madras-6,
30th May 1972

R. RATNAM,
Convenor.

WORKING GROUP ON "ANCILLARY DEVELOPMENT AND SUB-CONTRACTING" REPORT.

INTRODUCTION.

The Task Force on Small Industries of the Tamil Nadu State Planning Commission report on :—

1. the resources endowment, present pattern and intensity of its utilisation.

2. a critical review of programmes, which have been implemented during the last two decades and their impact on production and productivity.

3. directions for future development.

decided to have eight Working Groups to assis it in preparing a comprehensive and detailed

A Working Group on "Ancillary Development and Sub-contracting" was constituted with the following as Members:—

Thiru R. Ratnam	.. ..	*Convenor.*
Thiru E. N. Narayanaswamy	.. .. ..	*Members.*
Thiru R. Sundararaman	.. ..	
Thiru S. Sankaran	.. ..	
Thiru L. L. Narayanan	.. ..	
Thiru S. Nagarajan	.. ..	*Co-opted Members.*
Thiru B. S. Das	.. ..	
Thiru R. Muthukrishnan	.. ..	*Secretary, Task Force on Small Industries.*

The Working Group was requested to submit a report outlining the furture opportunities in Ancillary Industries and sub-contracting.

The Working Group had four meeting (Appendix I—Extracts from the minutes) besides personal discussions held by some of the Members with the Industry and Institutions.

At present the Ancillary Industries serve the following categories of major industries :—

(a) Transport covering commercial vehicles, Trucks, cars, motor cycles, bicycles, tractors and farm equipments.

(b) Electrical and electronics including transformers, switchgear, electric motors, pumps, lifts, appliances, etc.

(c) Machine Tools and heavy machinery for sugar, cement, textile and chemical industries.

(d) Manufacturers of chemicals including plastics, heavy, chemicals, organic and inorganic chemicals, etc.

For the purpose of this report, the following approach was considered :—

(a) to take stock of what has been done so far in the ancillary development not only by the Governmental agencies but also by the Industry and give a critical review of the same and suggest remedial measures.

(b) to indicate directions for future development in this sector for the next two Five Year Plans, stressing their impact on production and also productivity.

(c) to suggest the pattern of development of ancillaries for not only developing the small-scale industries but also for stabilising the larger industries, particularly those in the public sector.

The report generally follows the format given by the Task Force.

In preparing the report the need for a clear-cut definition of both ancillary and sub-contracting was taken note of. This is because an ancillary may be :—

(a) captive to large manufacturer.

(b) it may be ancillary to a particular industry (automobile, electrical, etc.) serving a number of units.

(c) an independent ancillary making spares or some special components for a large or a small scale unit.

Similarly sub-contracting may be for capacity or for specialist services in processing or manufacture of some components.

To-day both the public and private sectors in the major industrial field play a notable role in creating a large number of ancillary industries by deliberately planning to obtain a sizeable portion of their requirements of sub-assemblies and components from small-scale units. Some of the large units have been providing technical knowhow, testing facilities and sometimes even tooling and plant.

Ancillary movement is not anything new to our country. Procurement of components from small suppliers by bigger industries has been in vogue for quite some time although this was not dealt with on a systematic approach. It assumed great importance during the Second Five-Year Plan when emphasis was laid on the development of small-scale industries as a means of creating greater employment opportunities not only for the under-educated but also for the technically qualified persons.

By the end of the Second Plan, small-scale units made much headway in many industrial and consumer product lines (electric appliances, metal clade switches, wire, mesh, mechanical toys, measuring tapes, etc.).

In 1962, it was realised that the problems and conditions were changing and in order to reassess the position of the small scale sector the Ministry of Industry requested the Ford Foundation to organise a Second International Team. The Team submitted its report in 1963.

One of the recommendations of the Team was :—

" Ancillary relationships with large units are an important potential source of strength to small scale industries, capable of producing goods that meet established quality standards at competitive prices and on firm schedules. Healthy permanent

ancillary arrangements could be fostered by Government services in helping to bring the parties together, in giving technical assistance to small units and in assuring them free access to raw materials on equal terms with large units ".

In 1966, a Symposium on Small Business Development was organised by the Asian Productivity Organisation with the assistance of National Productivity Council in which all aspects of small business development including " Ancillary Development and Sub-contracting " were discussed. (Appendix II gives extracts from some of the discussions and recommendations made at the Symposium on Ancillary Development and Sub-contracting.)

In the earlier stages, most of the ancillaries happened to be in the small scale sector as a result of which Governmental Agencies had to provide infrastucture facilities for external quality control measures and after production testing.

There are today over 500 ancillary units in Tamil Nadu both registered and non-registered serving the requirements of major undertakings and at least about 300 smaller ancillary units serving the requirements of small scale industrial units.

The development of automobile ancillary had made a great stride in this State and Appendix III gives a list of firms engaged in the manufacture of automobile ancillaries in Tamil Nadu. Excluding accessories like tyres and tubes, batteries, bearings and general hardware, and also not including the value of engines made by Simpsons or the accessories produced by the vehicle manufacturers themselves, the average production of automobile ancillaries during the last three years in the Tamil Nadu was about Rs. 32·8 crores, which is about 30 per cent of the All-India production.

In the present context of industrial development and the policy on self-reliance the role of ancillaries has assumed greater importance. Both the Central and State Governments have taken particular note of every possible measure to strengthen this important sector of the industry by providing the infrastructure and other facilities.

Referring to the All-India picture as given in the Draft Fourth Plan, the following indicators of development of small scale industries may be noted :—

" Upto the end of 1967–68 about 1,20,000 small scale units had been registered with the State Industries Directorates as compared to about 37,000 units in the beginning 1962.

The value of Central Government grants increased from Rs. 6·5 crores in 1960–61 to Rs. 26·2 crores in 1967–68.

Between 1960–61 and 1967–68 the number of industrial co-operatives increased from about 36,000 to about 57,000, the membership from 2·73 to 3·65 million and sales from Rs. 81·2 crores to Rs. 185·7 crores.

The number of industrial estates has gone up from 66 in 1960–61 to 360 in 1967–68 with an annual production of about Rs. 93 crores.

Big strides in ancillary development depends on the growth of large industries. On the assumption that the large scale industries in the State will have a growth rate of 9 to 10 per cent we can anticipate a 25 per cent growth rate for ' Ancillaries and sub-contracting '.

In this context a reference may be made to the Bolton Committee's report on the role of small firms in the National Economy of the U.K., a review of which appeared in the Hindu, dated 31st March 1972 (Appendix IV). The report underlines emphatically the importance of the small firms ' contribution to the national economy. In the U.K., their output is equal to a fifth of the G.N.P. and they provide employment to a quarter of the total work force. Of course in our country the figures will be much higher.

Apart from the planned dispersal of small scale ancillary units to rural areas the actual growth of these will depend upon the development and growth of agro- industries.

A large number of small scale units particularly those run by technocrats have realised the important role of ancillary industries both as a means of improving their own resources and as a means of ensuring quality production. This has given a new dimension to the ancillary sector.

To make a proper quantitative approach it will be necessary not only to compile a census of production but also to conduct extensive surveys in depth as was suggested by the Convenor at the last meeting held on 27th March 1972.

PART I—CHAPTER II.

PRESENT DIFFICULTIES AND HANDICAPS FACED IN PROPER GROWTH OF ANCILLARIES.

One of the main problems is the question of payment from the major units, particularly when it is a public sector or a quasi-government unit. The payment takes a very long time. Even the credit facilities from the banks are limited.

The second problem is the purchase of raw materials. It is not that all the parent units supply the raw materials. In more than 50 per cent of the cases the ancillary unit is called upon to make its own arrangements for procuring the necessary raw materials. With frequently changing import and distribution policies this problem has been acute both in regard to imported and indigenous raw materials affecting a large number of ancillary industries.

The third problem is inadequate facilities both for quality control and testing. Although serious steps have been taken by both Centre and State Governments to provide the infrastructure facilities they do not appear to meet the increasing demand. The facilities available with the parent units cannot be expected to be made available to all ancillaries in the State.

The fourth problem is the enormous delay in establishing new units.

While there are various proposals on paper for establishment of ancillaries the applications are not disposed of speedily. Small scale units do not have adequate knowledge about financing and other facilities available to them. There is need for locating technica advisers with the banks and other financial institutions to give general guidance to small scale entrepreneurs. This will certainly help to solve many of the problems.

Reference is being made repeatedly to the problem of the amount of paper work involved in managing the small scale unit. This was also highlighted at the Smposium on Small Business Development held in 1966 (Appendix II).

"The managers of small ancillary units, whether they be technicians or financiers or educated men with enterprise all are generally overloaded with different tasks. In order to keep the factory going, they are obliged to fill as many as 60 to 70 forms and returns for submission to the various authorities to obtain permits and licences. This needs personal and sustained effort of the managers as otherwise they cannot procure raw materials and other services. Naturally this leaves them with very little time to meet and negotiate with their customers (large firms) a necessity to establish a continuous manufacturing of subcontract activity".

There is also the difficulty in procurement of small tools and accessories. In most cases they have to buy these in the open market at exhorbitant prices.

The sample survey conducted through a questionnaire (Appendix VI) revealed certain difficulties experienced by the large industries also :—

If there is difficulty in developing any component in the initial stages, some of the subcontractors do not put in sustained efforts but tend to switch over to other customers hoping to find simpler work.

Subcontractors often do not realise the importance of making deliveries on time.

Subcontractors who are not quality conscious sometimes include rejected/returned components in the fresh supplies.

Many of the subcontractors do not acquaint themselves with basic details like functional use of the components, etc., which will help them plan for attaining the requisite quality standards.

However, the large industries feel that with proper guidance most of the problems can be solved and that there are great opportunities for the development of " Ancillary and subcontracting " units.

PART II—CHAPTER III.

ROLE OF ANCILLARY UNITS AND THEIR RELATIONSHIP WITH MAJOR UNITS.

The process of specialisation in the industrial fields has often manifested itself in the growth of ancillary units. The ancillary units concentrate on some component or part required by the parent unit in its production process. Modern industrial organisation is such that no large scale unit can manufacture all the things that it requires under its own roof. Even the most efficient large scale unit will find this a formidable task to manufacture all its requirements owing to various difficulties of production and management.

It is here that modern small scale ancillary industries play an important role as complementary units to the large scale sector. It is generally accepted that forming out components and sub-contracting processes and services is beneficial to the large scale unit as it conserves its managerial and productive resources which could be put to more fruitful uses. The small scale unit also benefits from this arrangement by being assured of a regular and permanent market for their output.

Reference may be made to the report recently submitted by the Small Industrial Service Institute, Madras. This covered development of ancillary industries and sub-contracting in Tamil Nadu (Appendix V).

There is already a provision in the case of public sector undertakings that they should earmark a substantial portion of the production for sub-contracting and ancillary development. Large industries in private sector also have a definite policy of procuring a sizeable portion of their requirements from the small scale sector. Some of the large units in Tamil Nadu have actively co-operated with the Small Industries Service Institute in the development of " Ancillary Industries and Sub-contracting ".

A small opinion survey in regard to the dependence of large industries on ancillary units was conducted through a questionnaire (Appendix VI). The answers confirmed that there exists wide scope for improvement and development of " Ancillary and sub-contracting " and also in the filed of servicing and maintenance. Repairing and servicing of machines, checking and servicing of measuring equipment and instruments, servicing of air-conditioners, servicing of water coolers and cooling plant, servicing of transformer and switchgear, checking up of plumbing, routine checking up and testing of electrical installation, etc. are some of the important items of servicing which come under this category.

The service facilities could also include preparation of drawings and making blue prints for small units.

At present some of the large industries are dependent upon ancillary industries outside the State. Development of a second source for these items within the State will be advantageous.

An interesting feature that is noticed recently in the State is that some of the reputed foreign based industries have started encouraging small scale industries to assemble certain end-products like heaters, industrial light fittings, etc. using mass produced components

under the Company's seal. "Assembling type of small scale units" for products like electric motors, fans, electric irons, etc. which have a sizeable demand in the State hold out opportunities for development.

The large industries which were included in the opinion survey identified a number of items for development by ancillary industry (Appendix VIa).

A proper survey in depth will reveal a number of other aspects qualitatively and quantitatively for future opportunities in "Ancillary Development and Sub-contracting". In this connection a reference may be made to Appendix VII—Survey of Sub-contracting relationship in machinery manufacturing industry in Tokyo 1963.

It may be mentioned here that in determining the units to be included in the survey the basic factors such as owner management and limited market share which characterise the small scale units should also be considered.

Appendix VIII gives the definititions of 'sub-contracting' or 'farming out' and an outline of relationship between a parent company and its sub-contractors in manufacturing industry—Japanese experience.

PART II—CHAPTER IV.

EXISTING PATTERN OF ASSISTANCE BY THE GOVERNMENT WITH REFERENCE TO THE INCENTIVES AND CONCESSIONS EXTENDED TO ANCILLARY UNITS.

A small scale unit is defined as one in which the investment on machinery and equipment does not exceed Rs. 7·5 lakhs. The value of land and building and working capital is not taken into consideration for the purpose of this definition.

In the case of ancillary units, i.e., those enterprises which supply parts, components or sub-assemblies to a large-scale unit, the limit of investment on machinery and equipment is raised to Rs. 10 lakhs.

Ancillary units are placed on par with the small scale industry in matters of allotment of space in Industrial Estate, sanction of loan by the various agencies, etc.

Many measures have been taken by the State Government for providing assistance to small scale industries and for encouraging ancillary development. The following are some of the important measures :—

The Tamil Nadu Small Industries Development Corporation (SIDCO) was set-up with an authorised capital of Rs. 2 crores, fully subscribed by Government to assist small industries—

by construction of worksheds and allotments on hire purchase basis,

by technical feasibility reports,

by export assistance,

by marketing assistance,

by financial assistance under the State Aid to Industries Act

in raw material distribution, and

in hire purchase of machinery.

There is a small scale industries branch in the Directorate of Industries and Commerce which carries out the following functions :—

Registration of Small Scale Industrial Units and issue of registration certificates.

Collection of production statistics from registered units and compilation industry-wise.

Publication of Directory of Small Scale Units in the State on the basis of the registration particulars.

Printing and publication of survey reports prepared by Small Industries Service Institute, Madras.

Any *ad hoc* or special survey required to be undertaken by the Government.

Kardex system of maintenance of statistical data relating to Small Scale Industries in the State.

Small Scale Industries Board—

To give greater importance to and make suggestions for development of small scale industries in the State a Small Scale Industries Board consisting of official, non-official and industrialist members under the Chairmanship of the Minister for Industries was set-up.

There is also a Sub-committee to study possible relaxation of the provisions of various Acts to help development of Small Scale Industries. The Committee's report is under consideration of the Government.

Establishment of Industrial Estates—

Industrial estates in the four categories, viz., Conventional, Private and Co-operative Functional and Ancillary have been established at various centres in the State as detailed in Appendix IX. Details regarding the developed plots in the State and the liberalisation of conditions in regard to payment against the cost of the developed plots are also given in Appendix IX.

Testing Laboratories—

A Central Electrical Testing Laboratory is being set-up at Kakkalur near Tiruvallur to provide after-production testing facilities to electrical industries and to evolve new designs for components and finished products.

A Regional Testing Laboratory is being set-up at Madurai on the lines of the Chemical Testing and Analytical Laboratory at Guindy.

Laboratories to undertake testing, certification and product development work of electronic and instrumentation industry are proposed to be set-up in Madras. The Government of India have been requested to collaborate through ISI in the proposal to set up testing and certification facilities in the Functional Industrial Estate for Electronics and Instrumentation Industries in Adyar.

There is another proposal to have a Regional Service and Repairs Extension Centree at the Central Electronic Engineering Research Institute of Rajasthan at Adyar.

Training—

The Technical Training Centre, Guindy, gives training to degree and diploma-holders in Engineering and ITI trained boys in trades like—

Die sinking.

Die design.

Tool making.

Forge and heat treatment.

Machine operative.

The Tool and Die Design Training Centre at Dindigul gives specialised training in the design and manufacture of tools and dies required for various engineering units.

Three Basic Rural Service Centres are functioning in Tirunelveli District for training in power operated machines in the trades, fitting, turning and welding.

Technical information sections are functioning at Guindy and Ambattur in Madras.

In addition to the above, the Small Industries Service Institute renders assistance as detailed below :—

Technical assistance and training facilities from SISI by conducting seminars in collaboration with industrialists and official agencies.

Setting-up of a sub-contract exchange.

Organising exhibitions to project the image of ancillary industries.

Price preference up to a maximum of 15 per cent in favour of small scale units in the Government Stores Programme.

PART III—CHAPTER V.

OBSERVATIONS AND RECOMMENDATIONS OF THE WORKING GROUP.

Production Testing facilities and assistance to Quality Control—

Facilities available at present for testing at governmental and semi-governmental level should be made known to the ancillary units.

In addition to facilities available with parent units, testing facilities for small scale sectors have to be provided near their location, throughout the State. This may also be done in the small scale sector.

The testing laboratories to be set-up by the Government have to be strengthened and provided with competent staff to help not only in testing and certification but also for advising on product development.

Sub-contractors should be advised to equip themselves with atleast minimum requirements of instruments and take full responsibility for quality of their products and services.

A Central Standardisation and Research Cell should be set-up by the State Government near the ancillary units so that the ancillary units may be encouraged to send selected samples to the cell and at the request of the units, staff from the Cell may periodically visit the ancillary units for checking the products manufactured by them.

This may help communication and dissemination of necessary technological information to the smaller industries. In the event of the large/parent unit undertaking such work, this may be viewed on par with research activities and any expenditure on such items has to be given concessional treatment in the matter of tax and other facilities.

For safety and public health reasons units undertaking processes such as plating, etc., should be encouraged to shift to industrial estates, where provisions should be made by the Government for water and effluent treatment.

At each of the industrial estates, including the functional estates, group services for oil reclamation, general and machine tool maintenance and collection and disposal of scrap can be started. Small scale ancillary units can also be encouraged to develop these services.

Raw Material Supply—

In regard to indigenous scarce raw materials such as Steel and other items the allocating agency must place at the disposal of the State Directors of Industries sufficient quantities of scarce raw materials for exclusive distribution to registered small scale ancillaries. Simple procedures can ensure the proper use of the material by the ancillary industries. In order to ensure fair distribution of raw material it is important that the State-owned small scale units function only as service units and not as manufacturing units competing with other small scale units. However, the State-owned units can go in for manufacture of raw materials and other items such as winding wires, insulation materials, etc., for supply to small scale industries, which, otherwise have to be bought by the small scale units, from the arge suppliers or from the open market.

Likewise a portion of foreign exchange should be reserved exclusively for registered ancillary units who have to channelise their imports either through the parent units or State undertakings.

In this context it will be helpful if a uniform material code for raw materials is adopted throughout the country.

Payments and financial assistance—

Once the small seller-large buyer and the small buyer-large seller relations are properly established, suitable terms of payment can be negotiated and maintained.

However, extended credit facilities should be given by banks and financial institutions to the small scale units, ancillary industries and sub-contractors, Assistance (for a small fee) may be given to the small scale units for maintaining accounts of stocks including finished material, scrap, etc. and preparing cash flow statements and budgets. These can also be developed in the small scale sector as commercial services and located in the industrial estates.

The Tamil Nadu Industrial Investment Corporation which has recently gone in for encouraging more and more small scale industries should have a liberalised pattern of assisting ancillary development by giving them credit facilities at 2 per cent less than the interest normally charged to others.

Likewise the Nationalised Banks should take a little more liberal attitude in regard to ancillary units, particularly those sponsored by technocrats.

Sub-contract and Service Exchanges—

The sub contract exchange at the Small Industries Service Institute, Madras has to be decentralised in the sense that a Central Organisation at Madras will not be within the reach of some of the small scale industrial pockets in Madurai, Salem, Coimbatore and some of the rural areas.

A similar but separate exchange can be organised for the service industry so that large or small units requiring any service or maintenance could locate suitable sources through this centre. Inter-state operation of the sub-contract exchanges may also be tried.

Reputed large scale manufactures may be emcouraged to supply components for small scale units dispersed throughout the State so that these small scale units can serve as ancillary units for assembling end-products from components supplied by the parent unit (i.e., the large scale manufacturer). This will work well in products like electric motors, fans, electric irons and other appliances, end-products which have a good demand in the State. Any testing facilities required by the small-scale units will have to be provided by the Government.

General—

Liaison with Government Agencies—

A special officer from the State Government should be appointed exclusively for the purpose of liaising between the ancillary industries on the one hand and the major purchasing organisations on the other like the Directorate General of Supplies and

Disposals, Posts and Telegraphs, Electricity Boards, Port Trust, Railways and the Central and State Public Sector undertakings so that the ancillaries have a better share both qualitatively and quantitatively. The liaison officer can be located at the sub-contract or service exchange.

The State Director of Industries should be the registering authority for the ancillaries and they must keep the Small Industries Service Institute informed of the registration. This will ensure proper treatment to the problems of the ancillaries for their better understanding and also to ensure that the major industries earmark a substantial portion for ancillary development. As already mentioned the State-owned small scale units should only function as service units and not as production units. This alone will ensure fair distribution of raw materials which will be under the control of the State Director of Industries.

Survey and Census—

In addition to taking a census of production of small scale units, a number of surveys have to be undertaken to study in detail the various facets of "ancillary development and sub-contracting" to be able to project quantitatively the future opportunities for ancillary development and sub-contracting.

As a means of dispersal of industries particularly to the industrially backward areas it must be insisted on the part of the major industries while sanctioning the license or expansions on the need for their creating ancillaries in backward areas. The real growth of small scale units in the rural areas will, however, depend on the development of agro-industries.

The status of small-scale units crossing the line of capital investment prescribed for small scale units needs to be clarified. As mentioned in the Bolton Committee's report (Appendix IV) in the case of some small scale units the turnover also might have to be the criterion. In all cases consideration should be given to the basic factor, i.e., owner management.

While according to the present policy, the small scale industries (S.S.I.) continue to avail the concessions applicable to them till they are registered with the Directorate General of Technical Development (D.G.T.D.), it is suggested that a 5-year limit may be considered for availing the concessions by units which expand beyond the scope of small scale industries.

It is suggested that technocrats already employed in major units, after they acquire the desired experience should be encouraged and assisted to start small scale ancillary/sub-contracting units.

The State Government should publish a comprehensive booklet, a complete guide for small-scale entrepreneurs (similar to the one published by the Indian Investment Centre, Delhi, for large entrepreneurs) detailing the facilities available and the assistance extended by various institutions and the State Government. An overall picture of the envisaged industrial development programme and future opportunities for new units can also be given at the end of this booklet. Of course the information in given the booklet should be continuously updated.

APPENDIX I.

Extracts from the minutes of the meetings of the Working Group held of 20th December 1971, 20th January, 24th February and 27th March 1972.

The Working Group on "Ancillary Development and Sub-contracting" consists of the following members :—

Thiru R. Ratnam	Convenor.
Thiru E.N. Narayanaswamy ..	Member.
Thiru R. Sundhighlighted	Member.
Thiru S. Sankaran	Member.
Thiru L.L. Narayanan	Member.
Thiru S. Nagarajan	Co-opted Member.
Thiru B.S. Dass	Co-opted Member.
Thiru R. Muthukrishnan	Secretary, Task Force on Small Industries.

20th December 1971—

Emphasising the need for effective communication between the small scale and large industries for successful ancillary development, the Convenor requested Thiru E.N. Narayanaswamy to give a brief account of the ancillary development and sub-contracting in Tamil Nadu.

Thiru E.N. Narayanaswamy said that the ancillary development would have to be reviewed with reference to the following:—

(*a*) Major industries in the private sector.

(*b*) Small-scale industries of the private sector.

(*c*) Industries in the public sector like the Integral Coach Factory, etc.

He also suggested further reclassification of the industries in the following groups for the purpose of the review :—

(*a*) Automobiles including cars, trucks, bicycles, motor cycles, tractors and farm equipments.

(*b*) Electrical and electronics including transformers, switchgear, electoric motors, pumps, lifts, appliances, etc.

(*c*) Heavy machinery, sugar machinery, cement machinery, textile machinery, chemical plant, etc.

(*d*) Chemicals including plastics, heavy chemicals, organic and inorganic chemicals, etc.

He mentioned that the Government had already set-up an ancillary industrial estate for meeting the needs of the High Pressure Boiler Plant at Thiruverumbur and that there are plans for expansion of the same.

Two other ancillary industrial estates that are coming up are one at Thiruvottiyur, to cater to the needs of the Enfield Group and another at Vadalur to meet the requirements of the ceramic industries.

It was indicated that the Working Group's approach would be —

(*a*) to take stock of what has been done so far in the ancillary development not only by the Governmental agencies but also by the Industry and give a critical review of the same and suggest remedial measures for shortcomings.

(*b*) to give detailed direction for the exact nature of future development in this sector for the next two Five-Year Plans, stressing their impact on production and also productivity.

(*c*) to categorically make suggestions for the exact pattern of development on ancillaries for not only developing the small scale industries but also for stabilising the larger industries, particularly those in the public sector.

To elicit information from some of the major industries regarding the ancillary dependence a questionnaire was prepared by Thiru E.N. Narayanaswamy and Thiru R. Sundararaman.

Thiru Sundararaman said that it is necessary to have a clear-cut definition of both ancillary and sub-contracting. This is because an ancillary may be captive to a particular firm, an ancillary to an industry (automobile, electrical, etc.) or an independent ancillary making spares or some special components. Similarly, sub-contracting which is mainly dependent on large industries may be for capacity or for process or for manufacture of some specialised items.

Other points like providing adequate in-plant and after production testing facilities for small scale sectors, scrap utilisation and setting-up of well equipped warehouses for raw materials with complete facilities for decoiling, slitting and shearing were also discussed.

20th January 1972—

Thiru S. Nagarajan of S.I.S.I. presented a short report on S.I.S.I. for development of ancillary industries in Tamil Nadu wherein he had mentioned that a growth rate of 25 per cent per annum can be reckoned for ancillary development. He suggested that the study will have to be done with particular reference to additional areas reserved for small scale units and the special terms and conditions included while licensing large scale units.

He also gave a brief review of the sub-contract exchange and said that the question of inter-state operation of the exchanges will have to be considered.

Thiru E. N. Narayanaswamy was requested to give a list of large scale undertakings that are likely to come up in the State during the next 10 years.

24th February 1972—

The Convenor suggested that a draft report may be got ready by **15th March 1972**.

A format for this was agreed—

Chapter I .. .. **Introduction.**

Chapter II .. .. Role of ancillary units and their relationship with the major units.

Chapter III .. .. Present difficulties and handicaps faced in proper growth of the ancillaries.

Chapter IV	Existing pattern of assistance by the Government with reference to the incentives and concessions extended to ancillary units.
Chapter V	Concluding recommendations of the Working Group with regard to the development of ancillaries in the State.

In addition, it was proposed to include statistical data and other information regarding past performance, growth details and sub-contract exchange of S.I.S.I., etc.

Thiru Sankaran felt that ancillary industries playing an important role in small-scale sector should be given special treatment with lower limit of margin in bank financing.

He wanted to know the status of small scale units crossing the line of capital investment prescribed for small-scale units. Thiru E. N. Narayanaswami clarified that as per present policy small-scale units till their registration in the books of D.G.T.D. continue to avail concessions applicable to small-scale units. He suggested a five-year limit may be considered for availing of the concessions of S.S.I. for units crossing the limit prescribed for S.S.I.

Thiru Sankaran mentioned that the technocrats already employed in major units after they acquire the desired experience should be assisted to start industries of their own.

27th March 1972.

The draft report was taken up at the meeting and the main points which arose out of the discussions were :

While establishing testing facilities to help the ancillaries special equipments available with each of the large units should be taken into account. Apart from making the ancillaries more quality-conscious specialised technical service should also be made available at the testing laboratories to be established.

The location of ancillary estates to feed particular group of industries need not necessarily be close to the parent units.

It was felt that while on paper there are various proposals for the establishment of ancillaries the speedy disposal of applications is essential to encourage the growth of ancillary industries and sub-contracting. Additional incentives may be given to the ancillary units.

While the S.I.S.I. is conducting courses on management and other aspects to educate the small entrepreneur it was suggested that technical advisers should be located with the banks and other financial institutions to give general management guidance.

Thiru Ratnam pointed out that this report has been prepared in a short time. In order to make a quantified approach it will be necessary to conduct proper surveys and complete the census of production.

He also mentioned that a continuous appraisal of updating of all information (statistics) should be made and information should be available at one source in regard to all aspects of small-scale ancillary development. This is in addition to information available at the sub-contract exchange.

He remarked that from his experience he felt that it may not be advisable for the State Units which were originally intended to serve as service centres to operate as production units and compete with other small-scale units. This might affect the fair distribution of scarce raw materials and also make it difficult for the other small units to obtain the service point of view from the State units.

APPENDIX II.

Extracts from the papers presented on Development of Ancillary Industries

AT THE SYMPOSIUM ON SMALL BUSINESS DEVELOPMENT (1966).

In 1953–54, the first International Team under the Ford Foundation Plan visited this country and proposed a positive programme for the development of small-scale industry. The report submitted by this team analysed the conditions and prospects and looked into the possible solutions for the development of small-scale industries.

The recommendations included :

(1) The setting up of multi-purpose institutes of technology for small industries (Small Industries Service Institutes).

(2) Design and methods of supply for quality.

(3) Facilities for credit and finance.

(4) Trade associations—strengthening of the existing associations—formation of new general associations of entrepreneur and vocational trades to be encouraged.

(5) Establishment of a marketing service organisation (National Small Industries Corporation) with Regional and State branches for serving the small industry as liasion in Government purchases—improving techniques of introduction and ensuring the small-scale industries, its place and share in India's expanding economy.

(6) Establishment of a plant for production and training

(*Reference*—Report on Small Industries in India by International Planning Team, The Ford Foundation, 1954, submitted to the Ministry of Commerce and Industry).

The development of small-scale industry is primarily the responsibility of the State Government, the Central Government through the various boards and corporations set-up specially for this purpose, provided the necessary co-ordination and additional institutional support. The National Small Industries Corporation too took up a programme of assistance to small-scale units (industrial extension of service carried through small industries service institute), like technical advice, supply of machinery on hire-purchase, liberalising procedures for granting loans, participation in Government Stores, Purchase programme and construction of industrial estate. The outlay for the development of small-scale industry in the Second Five Year-Plan was Rs. 55·35 crores as against Rs. 5 crores in the First Plan.

Due to various measures of assistance, small-scale industries rapidly developed during the Second Plan and took up the production of many goods which were previously imported. In 1960, ninety-two per cent of the registered factories in India with thirty-eight per cent of the total employees were small-scale factories.

By the end of the Second Plan, small-scale units made much headway in many industrial and consumer products which were more often capital intensive (electric irons, metal-clad switches, wire mesh, mechanical toys, measuring tapes, etc.).

In 1962, it was realised that the problems and conditions were changing and in order to re-assess the position, the Ministry of Industry requested the Ford Foundation to provide a Second International Team. The Team submitted its report in 1963.

Some of their major findings are .—

(1) Small industries played an important role in India's development.

(2) The efficient small factories have their most promising outlook for the decade in the metal working and machinery industries group.

Opportunities will also be great in light assembly products, such as, clothing, food preparation, leather and plastic goods, construction materials, agricultural equipments and supplies.

(3) The chief requirements for their development are equal access to raw materials, industrial finance plus selective technical and management assistance measures to provide proper allocation of raw materials.

(4) There are many lines of industry in which the skill, flexibility, low capital, capital costs, locational advantages and other competitive factors favouring small units assured them of a continuing and healthy role in Indian economy development and this can be achieved without special financial subsidies or concessional benefits. Provision of technical services is, however, an important and justified form of aid.

(5) Domestic marketing operations are not adequate and the marketing and statistical agencies promoted by States, except in a few cases, need considerable improvement.

(6) The prototype production and training centres have been handicapped greatly by difficulties in obtaining sufficiently well qualified development and training personnel.

(7) There should be greater concentration for activity in major locations and for those industries where the maximum contribution could be made to national growth objectives.

(8) Small Industries Service Institute Directors are generally technically well qualified but are less experienced in administration and management, particularly in administration of personnel policies which have immediate and direct effort on morale, initiative and enthusiasm for getting the job done.

(9) Strict adherence to primary technical assistance role of the institutes will reduce undue diffusion of efforts as well as opportunities and temptations to indulge in enthical practices.

(10) Experience has proved that industrial estates alone cannot overcome locational disadvantages. Further proposals for industrial estates or workshops should be reviewed for economic liability analysing such considerations as a real or effective demand for space in the location, proximity to the market, transport, skilled workers housing and other workers' amenities, construction cost in relation to existing rental levels, availability of equipment, raw material supplies and adequacy of power and other utilities.

(11) Ancillary relationships with large units are an important potential source of strength to small-scale industries capable of producing goods that meet establised quality standards at competitive prices and on firm schedules. Healthy permanent ancillary arrangements could be fostered by Government services in helping to bring the partice together, in giving technical services/assistance to small units and in assuring them free access to raw material on equal terms with large units. Based on this, the small industries programme included development of ancillary units. A separate ancillary Directorate has been set up in the Central Industrial Organisation to review the progress.

The one important aspect mentioned by the International Planning Team is that the same maximum level of fixed capital, viz. Rs. 5 lakhs, should be maintained for ancillary industries as well. The Rs. 10 lakhs capital ceiling suggested for ancillary firms opens the door for the creation of bogus ancillaries by large firms and is, therefore, difficult to administer. They not only try to have the same benefits to the subisidies to small firm but at the same time take advantage of allocations through Directorate-General of Technical Development.

In connection with the location of ancillary units the observations made by the Team are given below :—

It is particularly evident that a policy of trying to implant large amount of small industries in the most backward areas or directly in villages is deemed to be a failure and cannot be justified economically. Instead, secondary areas and centres should be selected that have inherent locational advantages to become potential growth points of industries.

Small factories are not more immune to the loss of economics than are the large ones although somewhat more widespread economic dispersal of some locally based small units have flexibility. The focus for industrial development under a dispersal policy should be neither metropolis nor the village but rather the large range of potentially attractive cities and towns between these two extremes.

The basic objective of small industries development programme, viz., that it may be a decisive factor in optimising the national product of any country, depending on the state of development of the country, the following facts are equally applicable to ancillary units :—

(1) Higher industrial mobility and further utilisation of resources.

(2) Production and employment at low cost (Rs. 60,000 approx to create a large unit where as only Rs. 8,000 approx in a small-scale sector).

(3) Short-term opportunity and ancillary activities.

(4) Decentralised growth and development of purchasing power.

(5) With the increase in tempo of industrial activities in all sectors, to meet the diversified demand for components and services, the management of large undertakings find it expedient to progress these from outside rather than lock-up their more expensive production capacity on piecemeal services.

It is not only to balance the production capacity and ensure against other contingencies such as breakdown, etc. that large units are developing sub-contracting facilities but also because it is economical to meet fluctuations in demand and short order schedules.

Automobiles industry is a good example for the development of ancillaries large and small. The vehicle manufacturers all over the world rely on ancillary manufacturers to supply them items which are used either as raw materials or as finished components in the manufacture of complete vehicles. In the cases of non-integrated firms as much as seventy-five percent of the total cost of the car relates to items obtained from outside suppliers and even in the case of integrated firms the outside supply is about fifty-five percent.

Material expenditure and total car cost.

Item.	*Non-integrated firms.*	*Integrated firms.*
(1)	(2)	(3)
Body complete	33	..
Tyre, wheel and brakes	9	9
Electrical equipment	7	7
Castings and forgings	7	2
Front suspension complete	4	..
Other properitory components	10	12
Raw material and non-property items—		
Total material	75	55
Share of car manufacturer	25	45
	100	100

(*Reference*—Motor Industry by George Macy and Rubrey Silberston, 1958.)

The managers of small ancillary units whether they be technicians or financiers or educated men with enterprise all are generally overloaded with different tasks. In order to keep the factory going, they are obliged to fill as many as 60 to 70 forms and returns for submission to the various authorities to obtain permits and licences. This needs personal and sustained effort of the managers as otherwise they cannot procure raw materials and other services. Naturally this leaves them with very little time to meet and negotiate with their customers (large firms) a necessity to establish a continuos manufacturing or subcontract activity. There is also the difficulty in the procurement of small tools and accessories. In most cases they have to buy these in the open market at exhorbitant prices.

The control system has inherent inequalities for small firms. In spite of these difficulties ancillary arrangements are gradually evolving in India because as already mentioned mainly from the point of view of economics large firms are interested in developing sub-contract work.

The purchasing function of large firms provide the specialist services to the small firms with the help of their production engineers and quality engineers actually visiting the sub-contractors premises. But here the major impediment is the testing facilities available to the ancillaries. The question was aready taken up at the Madras Regional sub-committee to urge the State Government to accelarate the provision of such services.

The Government should be cautious about artificial development of ancillaries in place of real ancillary development in the country as per apprehension of the International Perspective Planning Team in their observations on the development of ancillaries, viz., " family owned ancillaries and captive corporate arrangements have sprung up to take advantage of some schemes for assisting ancillaries ". Obviously these artificial arrangements are not the goal of the programme.

A well designed legislative framework and Government patronage provide a basis for smooth ancillary development but, in the ultimate analysis it will be the attitude of large scale undertakings which would truly govern the progress of ancillary industries.

Standardisation and Quality Control.

The importance of standardisation and Quality Control and inter-changeability of parts and components used in various engineering equipment and products is generally advocated for a rapid development of ancillary industries. There is a quite an element of truth in this suggestion because there are certain cardinal advantages of standardisation both to the producer and to the consumer. Firstly, standardisation would lead the producer to rationalisation of the process of manufacture thereby eliminating waste of materials and effort and reduce the risk of keeping high stocks of inventories. Secondly, the consumer can rely on quick availability of goods to the required specification at reasonably fair prices :—

(*a*) best possible raw material available,

(*b*) optimum design,

(*c*) stringent condition of operation, and

(*d*) safety factors.

Thus maintainability and reliability depend on standardisation.

Another object of standardisation is to improve quality. The normal technique is to collect field data on a selected number of items and to see how far standardisation has been useful in maintaining the quality in reducing variety and wastes. Quality, however, should not be mixed up with the accessibility of goods. Because of the lack of foreign exchange, the import of competitive items from abroad is restricted. An indigenous product in the country, therefore, enjoys a relatively protected market, free from competition with the result that survival of the best is not ensured and the industries continue to

produce second or third grade items because they can sell them. There is thus a need to meet the requirments of standardisation and to maintain quality. The quality of goods made available tothe market must then be fed back into the system to check whether, standardisation has been effective. This can be organised by proper collection of field data and by extending the scope of quality control to all stages of manufacture.

Reservation of certain types of products for small industries sector, problems of starting ancillary industries and future possible development in the ancillary industries.

Whether it is reservation of items, tackling problems of developing ancillaries or exploring future scope for their development, the Government has a significant role to play.

It should play a positive role in the development of ancillaries through certain policy measures. In judging whether an existing manufacturing capacity for a product is adequate to take care of demand, the Development Wing as rule does not take into account the capacity of the small-scale units, although substantial, capacity may exist in this sector. Considering the promotional and other measures of assistance now being given by the Government to develop the small-scale sector, the production in this sector is rising continuously. It would, therefore, be not desirable to ignore this sector while licensing additional capacity.

In the case of large-scale units proposed to be established in the public sector, the scope for development of ancillary units should be considered even while preparing the project report. It is worthwhile to note the method adopted by large firms in the U.S.

The following were some of the observations and recommendations included in the report :—

Full quota of raw materials should be made available by large scale units as an obligation to ancillary, industries.

D.G.S. and D. Stores Purchase Programme should stipulate certain preference quota for ancillary industries. Some difficulties are being visualised in implementing this recommendation. Still it deserves further scrutiny.

Delays in payments to ancillary industries for supplies made by all concerned should be eliminated as far as possible.

Testing facilities with Small Industries Service Institute should be further augumented and at concessional rates.

As in the U.S.A. and U.K. whenever Government places large orders with big manufacturing concerns of suppliers they should insist that they in turn should split and distribute the work to small and ancillary industries and the supervision of this scheme should be done by a Government machinery.

Also, licenses to large-scale units both in the public and private sectors should be granted on the licensees undertaking to purchase their maximum possible requirements from ancillary units.

APPENDIX II—*cont.*

Ancillary units situated near parent units should be given first preference. When such units do not have enough workload, they should be able to obtain work from other industries.

Provision of financial facilities by large-scale units and lending institutions credit facilities and bank guarantees can help in solving problems. Banks should be asked to discount credit bills on large industries and allow a period of at least six months.

Wherever possible certain components and spare parts manufacturing should be reserved for the ancillary industry alone. Planning should be done while licensing larger units. The public sector should not enter the field of ancillary industry and service units should not directly complete with ancillary or small units.

Publicising the requirements periodically by large-scale industry well in advance should be practised.

Source—Report of the Symposium on Small Business Development—organised by National Productivity Council.

APPENDIX III.

Automobile Ancillary Industries in Tamil Nadu.

I. *Members of All-India Automobile and Ancillary Industries Association.*

1	Aditya Agro-Industries Private Limited, Madras-2.	Aditya knapsack power sprayer-*cum*-duster,components for automobiles.
2	Best and Company Private Limited, Madras-1.	Dynamos, alternators, starter motors, voltage regulators and solenoid switches.
3	Bharat Motors, Madras-2	Fibroflex rubberised fibre products—Automobile seat cushions and back seats.
4	Bimetal Bearings Ltd., Madras-11 ..	Thinwall engine bearings, bushings and thrust washers for internal combustion engines.
5	Brakes India Limited, Madras-50 ..	Foundation brakes and hydraulic brake and clutch actuation equipement comprising brake assemblies master cylinders, wheel cylinders, slave cylinders, hoses, bundy pipes and parts thereof for cars, commercial vehicles, agricultural tractors, non-automative vehicles and other applications.
6	Carburettore Limited, Madras-2 ..	Carburettors, fuel pumps (petrol) and connected spare parts.

APPENDIX III—*cont.*

7 Elgi Equipments Pvt. Ltd., Coimbatore.	Air compressors, high pressure car washing machines, hydraulic lifts and high pressure lubricating equipment, etc.
8 Enfield India Limited, Madras-19 ..	Motor cycles, scooters, three wheelers and engines for agricultural and industrial applications.
9 Engine Valves Limited, Madras-16 ..	Inlet and exhaust valves for internal combustion engines.
10 Fenner, Cockill Limited, Madurai-1 ..	Oil seals, 'O' rings, fan belts and 'V' belts.
11 Hydraulics Limited, Madras-2	Hydraulic telescopic shock absorbers for automobiles and industrial applications and seat dampers for tractors.
12 India Filters Manufacturers Private Limited, Madras-58 ..	Oil bath air filters, fuel and oil filters.
13 India Pistons Limited, Madras-11 ..	Pistons, Piston rings, gudgeon pins, cylinder liners, circlips, ferrous and non-ferrous castings.
14 India Pistons Repco Ltd., Madras-11 ..	Flywheel starter ring gears.
15 India Radiators Limited, Madras-1 ..	Radiators including heavy duty radiators.
16 Jonas Wood head & Sons, India Limited, Madras-44.	Laminated leaf springs for road and rail vehicles.
17 John Wriston Corporation, Madras-6 ..	Wiring harnesses, ignition cable sets and battery cable sets.
18 L. G. Balakrishnan & Bros. Private Limited, Coimbatore-18.	Timing chains for automobiles and motor cycles industrial chains and bodies for buses and trucks.
19 Lucas-TVS. Limited, Madras	Starter motors, dynamos, voltage regulators, distributors, electric horns, horn relays windscreen wipers, flasher units, solenoids head, side and tail lamps.
20 National Fastners Pvt. Ltd., Madras-17.	Hot stamping in non-ferrous metals.
21 Rane Brake Linings Ltd., Madras-58.	Moulded brake and clutch linings.
22 Rane (Madras) Limited, Madras-32 ..	Tie rod ends, steering linkages suspension joints and clutch discs.

APPENDIX III—*cont.*

23	Simpson & Co., Ltd., Madras-2	Perkins automotive, industrial and tractor type diesel engines and related parts, garage equipments, tanks, trailers, general body building works, such as bus and lorry bodies and bodies for ambulances, vans, etc.
24	Sundaram Clayton, Limited, Madras-50.	Air-assisted and full air-brake equipments composing of air-compressors, air-servos, governors and non-return valves, air-pressure reservoirs and fittings brake chambers, brake valves, slace adjusters and safety valves, stop light switches and air-filters.
25	Sundaram Industries Private Limited, Madurai-1.	Bus and truck bodies, body kits and bodies for all types of vehicles, repair materials, all types of rubber components and tyre retreading.
26	Unicorn Private Limited, Madras-2 ..	Sheet metal components, grey iron castings and automobile bodies.
27	Union Co. (Accessories) Private Limited, Madras-2.	Radiators, radiator cores, electric horns, hornrelays screw jacks, Epco/UNA hydraulic trolley jacks, pedal assembly, petrol filler caps, radiator filler caps, hub caps and dynamo fan pulleys.
28	Universal Radiators Pvt. Ltd., Coimbatore-11.	Radiators, radiator cores, oil coolers, radiator pressure caps and allied articles for all types of engines.
29	Upper India Bearings Pvt. Ltd., Madras-6.	Thin walled and thickwalled engine bearings, composite metal and non-ferrous bushes.
30	Wheels India Limited, Madras-50 ..	Wheels for commercial vehicles passenger cars, tanks and tractors.

Others.

31	Ambi Engineering Company, Madras ..	Crank pins, Brake cam.
32	Automatic Accessories, Madras	Fuel tank indicator.
33	Associated Equipment Service, Madras.	Junction Box.
34	Arunodaya Fabricators, Madras	Fabricated Parts.
35	Auto components, Madras-32	General spares.

APPENDIX III—*cont.*

36	Bharat Engineering Works, Madras ..	Diaphragm for fuel pumps.
37	Basha, A., Madras	Radiator parts.
38	Balasubramaniam, N. Madras	Brake Drums.
39	Beehive Foundry Engg. Works, Madras.	Castings.
40	Cyclone Products, Coimbatore	Drive chains.
41	Coogans Die Castings, Madras	Castings.
42	City Motors Service (P) Ltd., Madras ..	Bodies.
43	Elec. Foundry & Engg. Industries Private Ltd., Madras-32.	Castings.
44	Estee Engineering Co. (Madras) Private Limited.	General spares.
45	Gears India, Madras	Gear & Gear Boxes.
46	General Fabricators Ltd., Madras ..	General Spares.
47	General Machinery & Spares Corporation.	General Spares.
48	Guindy Machine Tools Pvt. Ltd., Madras-32	General Spares.
49	Hari & Hari, Madras	Cylinder Head, crank case.
50	Hindustan Pistons, Pvt., Ltd., Madras. ..	Pistons.
51	Hydraulics Pvt. Ltd., Madras-2	Shock absorbers.
52	Helios India Pvt. Ltd., Madras	General spares.
53	India Forge & Drop Stampings Ltd., Madras.	Forged items.
54	Industrial Ancillary Service, Madras ..	Gear Box and Gear Crank covers.
55	Indian Carburettors, Madras	Carburettors.
56	Jeewanlal (1929) Ltd., Madras	General spares.
57	Krishna Rao Body Works, N.S., Madras.	Brake Lever, Brackets.
58	Quality Industries, Madras-58	Pipe fittings.
59	Krishnaraj Industries, Madras	Bolts and Caps.
60	Muthia & Bros., S, Tirunelveli	Tappet Guide, Valve Guide.
61	Metal Cast Service, Madras	Distribution adapters.
62	MM. Rubber Co. Pvt. Ltd., Madras ..	Rubber parts.

APPENDIX III—*cont.*

63 Nanco Rubber & Plastic Limited, Coimbatore.	Rubber products.
64 Ramamurthy & Co., A.V., Madras ..	Connecting Rods, Drive shafts.
65 Ramjal Industries, Madras	Exhaust pipes, strap clamps, Base plates, clamps, etc.
66 Southern Forgings Pvt. Ltd., Madras ..	Connecting Rods, Brake shoes.
67 Southern Engineering Co., Madras ..	Gear Box Shaft.
68 Sheet Metal Industries, Madras	Radiator Grill.
69 Suresh Industries, Madras	Electrical wires and items.
70 Southern Automobiles Industries, Madras.	Springs.
71 Suresh Industries, Madras	Electrical Items for scooters and motor cycles.
72 South India Glass & Enamel Works, Madras.	Sealed Beams.
73 Shakti Industries, Madras	Hub Barrels.
74 Southern Industrial Corporation, Madras-1.	Fabricated parts.
75 Sambasive & Sons, V.K., Madras ..	Bolts and Nuts and Rivets.
76 Umatson Trading Corporation, Madras-1.	General spares.
77 T. I. & Miller Limited, Madras	Piston Rods.
78 Venkateswara Industries, Madras ..	Gear Boxes, Brakes Drums.
79 Venkateshwar Nayakar, Madras	Anchor Shield and Brackets.
80 Vergo Private Limited, Madras-35 ..	General spares.
81 Vikrama Engineering Company, Madras-20	Tractor spares.

APPENDIX IV.

EXTRACTS FROM THE REVIEW IN 'THE HINDU', DATED 31ST MARCH 1972 ON THE BOLTON COMMITTEE'S REPORT ON THE ROLE OF SMALL FIRMS IN THE NATIONAL ECONOMY OF U.K.

In view of the pressing need for generating more jobs in the near future, it is necessary to view the small business sector as an integrated whole. A report just published in the U.K. (Report of the Committee of Inquiry on Small Firms, November 1971) does precisely this as far as that country is concerned and makes many recommendations of interest to us in India.

APPENDIX IV—*cont.*

The report is the result of a two-year inquiry by a Committee headed by Mr. J. E. Bolton, a former Chairman of the Council of the British Institute of Management. Set-up by the Board of Trade in July 1969 " to consider the role of small firms in the national economy, the facilities available to them and to make recommendations ", the committee invited 2,000 organisations to answer a questionnaire, polled 16,000 business units and held more than 100 sessions to interview Businessmen, Ministers, Academicians, Civil servants and representative bodies.

The first task of the committee was to define the term small firm incidentally, the expression 'small business' is more popular in the U.S. and Japan 'small enterprises'. Although the official term of reference indicated a quantitative criterion—employing less than 200 people, the committee preferred to use the employment criterion in manufacturing but in trade switched to a ceiling on turnover as the basis-wholesale £2,00,000 per annum, motor trade £1,00,000, retail £50,000. In road transport the definition used was the employment of five vehicles or less while in catering almost the entire sector was included. In all cases, however, basic future was owner management and the comparatively limited market share.

The report underlines emphatically the importance of the small firm in the national economy ; statistically, their output is equal to a fifth of the G.N.P. and they provide employment to a quarter of the total work force.

The qualities of vigour, enterprise, ambition and independance that characterise so many of them are considered a strength to the nation, as deeply needed now than ever before. In their view, small firms are not inefficient in their use of resources. While the output per person employed is lower than that of large companies it is counter-balanced by a better return on capital, as also by differences in the composition of the labour force—the employment of more part-time labour, for example.

To ensure that there is one central agency in Government to deal with this sector, the committee recommended the establishment of a Small Firm Division in the Ministry of Trade and Industry under the charge of a separate Minister.

Other recommendations in the report refer to the need for advisory services for sign-posting and providing information to the small firms : for this purpose, the committee suggested the setting up of a network of advisory bureaux in important industrial centres. The committee, however, rejected any suggestion to provide consultancy services free of charge : such services it said, 'should' be self-supporting since the readiness of the clients to pay and the ability of the service to survive on this basis are the only reliable indicators to their value.

' Industry is dying under the wright of paper' : As the committee rightly observes the load of Government statistical requirements is much heavier for small firms than for large ; it has therefore recommended that all departments review annually all existing and proposed forms with an eye to their utility and real cost to industry.

The findings of the Bolton Report are of great interest to us in India where conditions are fairly comparable.

APPENDIX IV—*cont.*

The Development Commissioner, Small-scale Industry in the Ministry of Industry co-ordinates the programmes which are implemented through the State Directors of Industries and also operates a net work of Small Industries Service Institutes located throughout the country. Industrial Development Corporations both at the Centre and the States provide technical and financial service at subsidised cost to the small industrialists. The Commercial Banks and State Financial Corporations are also extending sizeable advances both short and medium term to the small scale sector, particularly after nationalisation. As a result of these measures small industry has grown considerably in recent years contributing today more than a third of the G.N.P. and producing a wide range of products, some of which are sophisticated.

Commercial estates are proposed to be put up at select 'growth centres' rural areas while agro-services centres are being established to provide infrastructural services to meet the needs of growing mechanisation of agricultural operations.

But what is needed, as the Bolton Report emphasises, is not so much subsidy as an active and integrated policy towards the entire area of small business.

APPENDIX V.

Development of Ancillary Industries and Sub-Contracting in Tamil Nadu.

The process of specialisation in the industrial field has often manifested itself in the growth of ancillary units. The ancillary units concentrate on some component or part required by the parent unit in its production process. Modern Industrial Organisation is such that no large scale unit can manufacture all the things that it requires under its own roof. Even the most efficient large scale unit will find this a formidable task owing to a number of difficulties of production and management.

It is here that modern small scale ancillary industries play an important role as complementary units to the large scale sector. The lower overhead costs and fixed capital involved enable them to manufacture components, parts, etc. required by the large scale units at economic prices which the latter themselves would not be able to do. The extent to which this can be done depends no doubt on the type of industry concerned, the process and the level of technology required , availability of skills and raw materials, scales of operation and other relevant factors. However, it is generally accepted that farming out components etc. is beneficial to the large scale unit as it conserves its managerial and productive resources which could be put to more fruitful uses. The small scale unit also benefits from this arrangement by being assured of a regular and permanent market for their output.

A small scale ancillary unit has been defined as:

APPENDIX V—*cont.*

" A unit which produces parts, components, sub-assemblies and tooling for supply against known or anticipated demand of one or more large units manufacturing or assembling complete products and which is not a subsidiary to or controlled by any large unit in regard to the negotiation of contract for supply of its goods to any large unit ". Units which are set-up primarily for replacement market fall also within the scope of the above definition.

Considering the need for higher capital required by ancillary units, the ceiling of fixed capital investment of Rs. 7·5 lakhs for a small-scale units has been raised to Rs. 10 lakhs for ancillary units.

A good number of industries come under the scope of the definition but keeping in view the limited resources for ancillary development only a few selected industrial products have been brought under the intensive assistance programme of the Small-scale Industries Development Organisation—These are :—

1 Industrial Machinery.
2 Agricultural and Earth Moving Machinery.
3 Industrial, Scientific and Mathematical Instruments (Mechanical).
4 Locomotive, rolling stocks, ships and aircraft.
5 Bicycles.
6 Machine tools.
7 Boilers and steam generating plants.
8 Steam engines, turbines and internal combustion engines.
9 Automobiles.
10 Commercial, office and household equipments.
11 Electric machinery, equipments and appliances.
12 Tele-communication equipments.
13 Industrial instruments (Electronics).
14 Radios and electric equipments.
15 Mineral oil and petroleum products.
16 Air-conditioners and cold storage equipment including refrigerators.

Nature of ancillary units :

(*a*) *Those which supply specific components for fixed periods on the basis of contracts*—Captive units—Small-scale units manufacturing components or sub-assemblies to large scale units enter into contracts with the latter for regular supply of the products required by them according to the prescribed standards and specifications. Deliveries are to be made according to the schedules agreed upon between the main contractor and the sub-contractor. The necessary technical know-how is provided by the parent unit. Special tools, jigs, fixtures, etc. besides raw materials are also supplied, where necessary payments are made according to a pre-arranged system of assessment of the materials and time consumed. The entire production of the ancillary unit is consumed by the parent unit. Such ancillary units usually conglomerate near the parent unit and ancillary industrial estates have been set-up for the purpose at some places.

APPENDIX V—*cont.*

(*b*) *Independent ancillary units.*—They are not tied up to the parent (main contracting) units so closely as the captive ancillary units. These units manufacture selected items for supply to one or more large scale units according to their specifications and drawings. They are at liberty to manufacture other items also besides the ancillaries for the main contractor. The units may have to arrange for the technical know-how and raw materials on their own if necessary.

(*c*) *Ancillaries for open market consumption.*—Some of the ancillary units manufacture entirely for replacement market. Units manufacturing automobile components fall under this category. The units do not get technical know-how and raw materials from the large-scale units.

Progress of ancillary industries in India :

There are now about 10,000 small-scale units manufacturing components, etc. required by large scale units. Some are located in industrial estates. Ancillary industrial estates have sprung up in the various States and the programme of setting up more such estates in gathering momentum.

About 200 large scale units obtain regularly supplies of the components, etc. required by them, from small-scale ancillary units. The total investment in these small-scale units is estimated at Rs. 300 crores and the ancillary supplies made by them during 1969–70 are estimated at Rs. 27·73 crores. The number of persons employed in these industries is about 100,000.

Ancillary industries in Tamil Nadu :

It can be claimed with reasonable pride that a vigorous and growing ancillary sector has been developed in Tamil Nadu, thanks to the progressive attitude adopted by the large-scale units, the active official assistance to small-scale ancillary units as part of the ancillary development programme and the initiative and drive of the small-scale entrepreneurs. The setting-up of public sector undertakings like the Integral Coach Factory, Madras, Bharat Heavy Electricals Limited, Tiruchirappalli, etc. have acted as catalysts to the development of small-scale ancillary units. In fact, an ancillary industrial estate has been established to accomodate the ancillary units of Bharat Heavy Electricals Limited.

There has been rapid growth of engineering and automobiles industries in and around Madras. It has been roughly estimated that about 50 per cent of the value of production of all automobile ancillary industries is accounted for by the units in the Madras area. It may be mentioned here that some of the ancillary units of the automobile industries in and around Madras are themselves large or medium scale units which sub-contract numerous products like bolts, nuts, fasteners, coils, castings, etc. to a number of small-scale units. With the growing demand for various automobile and other products and the consequent expansion of the parent units, the ancillary units also expand their production as well as diversify the range of their products which generates new skills and capabilities. One healthy feature of small-scale ancillary units is that they have necessarily to be modern to keep in tune with the rapidly changing and varying requirements of the parent units.

APPENDIX V—*cont.*

With over 60 large scale industries in the State, S.I.S.I. has been able to achieve substantial results in the ancillary development during the last decade. The value of orders placed on the small-scale industry by large scale industries for the year 1961–62 to 1970–71 is shown in Annexure A.

Assistance programme for small-scale ancillary industries :

Besides the different types of assistance available from the various organisations connected with the small-scale industries, the small-scale ancillary units are entitled to special assistance relating to :—

1 Allotment of sheds in industrial estates.

2 Credit facilities at concessional rates of interest.

3 Machinery on hire purchase basis.

4 Price preference up to a maximum of 15 per cent in favour of small-scale units in the Government Stores Purchase Programme.

5 Allotment of scarce raw materials, both indigenous and imported.

6 Technical assistance and training facilities from the Small Industries Service Institutes.

The Small Industries Service Institute, Madras, renders technical, economic information, managerial and training assistance to the ancillary units and maintains close liaison with the small-scale units on the one hand and large scale units and public sector undertakings on the other.

Besides this, the Institute organises exhibitions to project the image of the ancillary industries and to give wide publicity to their achievements. The various components, etc. manufactured by the ancillary units are displayed at these exhibitions and contracts are established between the small-scale entrepreneurs, large scale industrialists and others who visit the exhibitions.

The Institute organises also seminars in which various parties—industrialists as well as official agencies/departments interested in the development of ancillary industries participate and discuss and disseminate information on problems and prospects of ancillary industries.

Sub-contract exchange :

A Sub-contract Exchange has been described as a "system for increasing industrial efficiency by speeding the farming out of sub-contract work".

With the increasing tempo of industrialisation and emphasis on specialisation, the need has been felt for some device to fill up the information gap between the requirements of large scale sector and the capacities of the small-scale sector and collect, store and disseminate information systematically for linking the two. The Sub-contract Exchange performs this important role.

APPENDIX V—*cont.*

The Sub-contract Exchanges have been set-up in India with the assistance of UNIDO Expert, one at Madras and the other at Bombay as part of the Small Industries Service Institutes. The exchange at Madras was set-up in May 1970.

Tamil Nadu Sub-contract Exchange, Small Industries Service Institute, Madras :

The Exchange serves as a Central Information Bureau where machine capacities of small-scale industries are registered and enquiries from large industries for the manufacture of different components, sub-assemblies and bought out components such as hardware items manufactured are passed on to capable registered small-scale units having spare capacity to undertake the manufacture of the requirements of large scale units. The Exchange thus saves the time of large industries in searching for sub-contractors to carry out any type of work and also assists sub-contracting units to find jobs for their machines.

The various important functions undertaken by the exchange are :—

(1) To invite small-scale units dealing in mechanical, electrical, plastic, ceramics, leather industry, etc. to register their spare capacity of machinery with the Exchange and record on the information cards prepared machine-wise, process-wise and product-wise.

(2) To approach large industries and request them to off-load items which could be manufactured in small-scale industries.

(3) To render technical assistance to small-scale units in developing/manufacturing the items registered by large scale industries.

(4) To furnish information to small-scale industries regarding the requirements of large scale industries.

Registering of small scale units for spare capacity of their machines :

This consists of—

Collection of information regarding spare capcity of machines and items manufac tured through correspondence.

Visiting the units to verify their technical competence, the conditions of the machines installed and quality control available in the unit :—

Making final selection of units capable for handling the enquiries;

Modifying the information relating to the selected units ; and

Noting the change of capacity of machines or addition of machines based on the information supplied by the unit.

Processing the enquiries :

The enquiry is received by a letter/on phone is scrutinised and wherever necessary, correspondence is initiated with the units placing the enquiries for the supply of drawings for the items to be framed out, for clarification regarding specifications of raw materials, quantity required and the date of delivery.

APPENDIX V—*cont.*

The selected units are then contacted and they are supplied particulars of the requirements of the main contractor.

Where drawings are involved, according to which the main contractor requires the parts/components to be manufactured, the selected small-scale units are invited to the Exchange to study the drawings and are given advice, in case any clarification is required.

After verifying the availability of spare capacity of machines, the details of the enquiry are sent to those small-scale units which show interest to take up the job, with the request to quote to the main contractor.

Follow up action is taken through correspondence and personal visits till the main contractors get into touch with the sub-contractors.

Steps taken to popularise the Exchange.

To begin with, the Exchange confined itself to collecting information from small units located in Madras City only. However, enlistment of units capable of undertaking sub-contract work from other districts has also commenced. Circulars have been sent to all the small-scale units in Tamil Nadu explaining the activities of the Sub-Contract Exchange. So far, information has been collected from engineering units. This is being extended to a few other non-engineering industries also to enlarge the scope of the Exchange.

The Exchange has already made an impact on some of the large industries. For example, the Bharat Heavy Electricals' Boiler Plant, Tiruchirappalli, has sub-contracted many of its requirements such as structures and ductings, machinery for flanges, floor grills, hand wheels, boiler and valve castings, etc. Besides, Madras Refineries are also planning in a big way to sub-contract their items. Defence authorities and Railways have also been approached to make full use of the Exchange and the enquiries from them have started flowing into the Exchange.

Large-scale Industries like Lucas—TVS, Leyland, Best & Co., English Electric Co. and Tractor and Farm Equipment Co., sub-contract several items and the small-scale units supply the following ancillary components to the exacting standards of large-scale industries both in the public and private sectors.

1 Ferrous and non-ferrous castings.

2 Brass forged items.

3 Jigs, fixtures, dies and tools.

4 Electrical items.

5 Precision turned compenents.

6 Steel forgings.

7 Springs.

8 Wiring harness.

APPENDIX V—*cont.*

9 Pressed components.

10 Automobile components.

11 Aluminium water tanks.

12 Battery boxes.

13 Door locks.

14 Luggage racks, etc.

The total value of order secured by small-scale units from large industries both private and public sector, including Railways and Defence, since 1958–59 till 1970–71 was Rs. 3,447 lakhs.

With the setting-up of the steel plant at Salem and growth development of petro-chemical complex in and around Madras (Manali) ancillary industries covering a wide range of items is bound to gather further momentum in years to come.

(Extracted from Scope for Development of Small-Scale Industries in Tamil Nadu.)

Government of India, Small Industries Service Institute, G.S.T. Road, Guindy, Madras-32.

APPENDIX V.

ANNEXURE A.

SMALL INDUSTRIES SERVICE INSTITUTE, MADRAS.

Ancillary Production.

Year.	*Value of orders secured by small-scale units from Railways.*	*Value of orders secured by small-scale units from Defence establishments.*	*Value of orders secured by small-scale units form Other Government Departments.*	*Value of orders secured by small-scale units from large industries. in private. sector.*	*Grand Total*
(1)	(2)	(3)	(4)	(5)	(6)
	RS.	RS.	RS.	RS.	RS.
1961–62 ..	49,56,428	..	40,06,169	1,07,91,361	1,97,53,949
1962–63 ..	62,29,882	33,68,813	29,49,236	1,17,55,940	2,43,03,871
1963–64 ..	67,82,992	33,93,848	25,89,857	1,34,85,406	2,62,52,103
1964–65 ..	81,43,926	8,51,761	57,97,586	1,69,62,566	3,17,55,839
1965–66 ..	68,76,968	36,42,052	25,46,152	1,86,94,537	3,17,57,709
1966–67 ..	44,49,876	5,65,825	38,41,429	2,12,47,468	3,01,04,589
1967–68 ..	68,41,359	7,64,487	41,35,201	2,33,66,898	3,51,07,945
1968–69 ..	41,08,114	15,27,462	1,63,76,356	3,13,57,883	5,34,69,815
1969–70 ..	99,55,120	24,78,521	58,60,993	5,03,78,392	6,86,73,034
1970–71 ..	1,32,39,233	37,72,468	1,12,07,951	5,93,82,091	8,76,01,742

APPENDIX VI.

QUESTIONNAIRE ON ANCILLARY DEPENDENCE.

1 Name and address of concern .. ..

2 Product manufactured .. .. ..

3 Total investment—

Lands .. ..

Buildings .. ..

Machinery and equipment .. ..

Others .. ..

Total .. ..

4 Recurring expenses per year—

Raw materials .. ..

(Mention main types of raw materials used like steel, copper, insulation, etc.)

Other charges .. ..

5 What is the average percentage of sub contracting per year .. .. ..

6 Do you supply raw materials for sub-contracting ancillaries and if so, value.

7 Where are your ancillaries located ..

8 Names of items and value per year in each (bought out or sub-contracted).

(Show separately items bought out inside the State, outside the State and imported).

Item.	*Value.*
	RS.

9 What are the arrangements for testing and quality control of the ancillaries and sub-contracted items ?

10 Do you make use of any National Test Houses or laboratories for quality control of your ancillaries and if so give details.

APPENDIX VI—*cont.*

11 Scope of new ancillary units you are on the lookout to serve your need.

12 Scope of servicing in your concern in which ancillaries may expect regular business.

13 Types of disposable items and their value.

14 Mode of registration of sub-contractors ..

15 Have you an exhibition for displaying your products for sub-contracting.

16 Your suggestions to improve working of ancillaries and sub-contracting. Problems if any, may also be indicated here.

APPENDIX VI (a).

ITEMS OFFERING SCOPE FOR DEVELOPMENT IN TAMIL NADU.

I. *Electronics :*

1 Diathermy.
2 Patient Monitering Units.
3 Muscle Stimulator and Shock Therapy Equipment.
4 Massage equipment.
5 Audiometer.
6 Ph. Meter.
7 Electronic Power packs.
8 Audio Oscillators.
9 Electronic fly catcher.
10 Hearing aids.
11 Densitometers.
12 Scintillation scanner.
13 Medical TV Chain including image intensifier, Video Tape recorder and Cine camera.
14 Operation Lights.
15 Portable High Pressure Steriliser.
16 Instrument steriliser.

APPENDIX VI (a)—*cont.*

II. *Entertainment Electronics :*

1 Record Players and changers.
2 Tape Recorders.
3 Moulded and Wound components for TV sets.
4 Loudspeakers and speaker units.
5 Electronic equipments for line communication systems.
6 Inter-communication system.

III. *Instruments :*

(*a*) Electronic Instruments—

1 Galvanometers.
2 Vacuum tube meters.
3 Oscilloscopes (Service type).
4 Oscillators.
5 Universal measuring instruments.
6 Frequency generators.
7 Measuring bridges.

(*b*) Electrical Measuring Instruments—

1 Voltmeters.
2 Ammeters.
3 Multimeters.
4 Universal Measuring bridge.
5 Meggars.
6 Rotating sub-standard instruments.
7 Stroboscopes.

(*c*) Other Instruments—

1 Ph. Meters.
2 Temperature recorders and controls.
3 Pressure gauges.
4 Counters (Batch and pre-set timers).
5 Specialised instruments.
6 Small meters for controls and timers.
7 Flow meters.
8 Humidity meters.
9 Beaume meters.
10 Primary and secondary batteries for instruments.
11 Photometers.
12 Hydrometers.

(*d*) Instrument cables—

1 Shielded cables.
2 High impedance cables.

APPENDIX VI (a)—*cont.*

Components—

1 Metal oxide resistors.
2 Wire wound potentiometers and helipots.
3 Capacitors—Polyester, Polystyrene, Polycarbonate.
4 Aluminium Capacitors.
5 Ferrites.
6 Litz wires and solderable winding wires.
7 Wafers—Ceramic—Teflon.
8 Electronic measuring instruments.
9 Connections.
10 Auxillaries—Special solders.
11 Electronics Hardware like fasteners and pressed items.
12 Batteries.
13 Battery eliminators.
14 Permalley laminations.
15 Microwave instruments.
16 Varistors.
17 Epoxy and printed circuit connectors.
18 Microwave antannae.
19 Microwave components.
20 Heat treated sintered components.
21 Neoprene sponge rubber items.
22 Thinwalled chemically treated paper tubes.
23 High power transistors.
24 Rubber seals for ball bearings.
25 Synthetic resin laminated components.
26 Thin ball bearings, bushes and thrust.
27 Pistons and piston rings.
28 Hoses
29 Silver contacts.
30 Grease nipples.
31 Woodroffe Keys.
32 Compression springs.
33 Pressed tools and dies for tool room.
34 Malleable castings.
35 Pressure die castings (non-ferrous).
36 Rubber rollers for modern rice mills.
37 Abrasive rollers for modern rice mills.
38 Perforated screens for modern rice mills and chemical plants.
39 Chilled iron rollers for modern rice mills.
40 Heat treatment and carburising of sheet metal screens,
41 Hot dip galvanising of cast iron and MS components.
42 Thin rubber belting for bucket elevators.
43 Sheet metal rolled and pressed components.
44 Coil and flat springs.

APPENDIX VI (a)—*cont.*

45 Non-ferrous castings subject to hydraulic test.

46 Briquets from MS & CI turning and borings.

47 Non-ferrous machined items.

48 Special headed bolts and nuts.

49 Light forgings.

50 Perforated sheet.

51 Rubber packing, rings and washers.

52 Heat treatment and carburising component.

53 Fabrication of high pressure piping.

54 Brass extrusions.

55 Slitting and straightening of both ferrous and non-ferrous strips—width $\frac{1}{2}''$ to $4''$ and thickness 20 SWG to 10 SWG.

56 Screw type industrial indicating lamps 220V/230 V-7 Watts and 50 V—6 Watts colour lenses for indicating lamps.

57 Permanent magnets required for relays, meters and instruments.

58 Different sections of steel rounds, squares, flats, etc.

59 Non-ferrous castings.

60 Forged rounds and slabs of heavy sections.

APPENDIX VII.

SURVEY OF THE SUB-CONTRACTING RELATIONSHIP IN MACHINERY MANUFACTURING INDUSTRY IN TOKYO FOR 1963.

This survey was undertaken by the Economic Bureau, Tokyo Municipal Government.

In this machinery manufacturing industry are included machine tools makers, electric machine makers, transportation machine makers, precision machine makers and metal products makers. Fifty-one so called parent firms were studied. The distribution of firms by size is as follows :—

Size by Number of employees.	*Number of firms.*	
300—499	17	
500—999	14	
1,000—1,999	7	51
2,000—2,900	6	
above 4,000	1	

Thus this survey attempted to clarify the sub-contracting relationships through the point of view of parent firms ; in this respect the survey is quite unique.

The degree of dependency on sub-contracting firms for the production.

APPENDIX VII—*cont.*

The degree of dependency on sub-contractors is defined as follows :—

$$\text{Degree of dependency} = \frac{\text{The amount of orders to sub-contractors.}}{\text{The amount of output shipped (for 1959).}}$$

The amount of orders to sub-contractors include the cost of materials used and the cost of processing.

Degree of dependency.		*Total—51 firms.*
0—9·9 per cent	..	13
10—19·9 per cent	..	14
20—29·9 per cent	..	3
30—39·9 per cent	..	4
40—49·9 per cent	..	4
50—59·9 per cent	..	4
60—69·9 per cent	..	..
70—79·9 per cent	..	1
80 or more ..	..	2
Not known ..	..	6

There are two firms with more than 80 per cent dependency. One is a sewing machine manufacturer, depending upon sub-contractors to 80·3 per cent. The other is a manufacturer of components of cameras, machine tools and tools with the degree of dependency of 90·7 per cent.

The reasons for utilising sub-contractors can be broadly classified into three.

A. Utilise sub-contractors because the parent firms cannot do certain works.

B. Utilise sub-contractors because it is more advantageous, even though parent firms can do the works.

C. Utilise sub-contractors though parent firms are actually doing the work which are also being done by sub-contractors.

D. Because of special relation.

A. *Because parent firms cannot do certain works :—*

1 Because they do not have certain types of equipments.

2 Because they do not have certain types of skills and techniques.

3 Others

APPENDIX VII—*cont.*

B. *Even though they can do the work if they want to do it*—

1 Because the labour cost is higher if the work is done by parent firms.

2 Because it costs more if a small quantity is to be made.

3 Because the production would disturb the flow of the main production.

4 Because we do not want to increase the labour force.

5 Because we do not want to increase the burden of the fixed capital.

6 Others.

C. *Even though parent firms are doing the same works parent firms order their sub-contractors to do part of the works*—

1 Because parent firms do not have sufficient capacity.

2 Because it costs cheaper though parent firms have sufficient capacity.

3 Because parent firms do not want to increase the labour force.

4 Because parent firms do not want to increase the burden of the fixed capital.

5 Others.

D. *Because there is special personal relation*—

According to the survey, there are 4,426 sub-contractors which 51 parent firms are utilising.

The distribution of sub-contractors by the reasons for utilising them by parent firms is as follows :—

Reasons				Per cent.
Reasons ..		.. Total	4,067	(100·00)
A.	1 ..	..	856	21·0
	2 ..	..	87	2·1
	3 ..	..	353	8·7
	Total	..		(31·8)
B.	1 ..	..	405	10·0
	2 ..	..	190	4·7
	3 ..	..	442	10·9
	4 ..	..	244	
	5 ..	..	313	7·7
	6 ..	..	55	1·4
	Total	..	1,649	(40·7)

APPENDIX VII—*cont.*

C.	1	775	19·1
	2	176	4·3
	3	56	1·4
	4	21	0·5
	5	16	0·4
	Total ..	1,044	(25·7)
D.	.. ..	3	0·0
Not known	..	75	(1·8)

It is important to pay attention to the reasons " because parent firms do not have certain facilities " and " parent firms do not have sufficient capacity "; these two reasons comprises 40 per cent of the sub-contractors.

Importance of these two reasons by industry is shown below :—

	Number one facilities. (1)	*Not two sufficient capacity.* (2)	*Total.* (3)
Machinery	10·1	15·9	26·0
Electric	35·0	21·8	59·8
Transportation	33·4	19·3	52·7
Precision	28·8	28·4	57·2
Metal products	19·0	12·7	31·7

Distribution of sub-contracts by different processes.

Total	4,226
1 Sheet metal work	188
2 Foundry	282
3 Forging	103
4 Can making (parts)	20
5 Can making (process)	101
6 Wooden pattern	65
7 Machining (parts)	611

Distribution of sub-contracts by different processes.

	Total.
8 Machining (process)	1,176
9 Plating	132
10 Welding	128
11 Press	330
12 Paint	172
13 Others	1,058
5—8	18
8—11	32
7—11	2
5—7	1
1—3—8—10—13	4

Factors to determine the price of the work ordered by parent firms to sub-contractors.

One of the most important aspects in the sub-contracting relationship appears to be a matter of determining the price of the work which is done for the parent firm. In the bargaining relationship, in general those sub-contracting firms which are not highly specialised have been suffering from the decidedly inferior position. It has been the raison d'etre for some of small sub-contractors.

The greatest number of the parent firms under this study stated that—

"The parent firm requests its sub-contractors to submit the cost estimate and checks it with the cost estimate prepared by the parent firm ; and then after discussing with the sub-contractor the price is determined".

This may sound very proper and democratic ; but it is easy to stretch our imagination to see what it actually means behind the statement. It is easy to see how the stronger party in bargaining relation would do to the weaker party.

Determinants of the price—

(*a*) Criteria for determination of labour hours—

1 Labour hours as used in the parent firms	25 firms
2 The parent firm estimate the labour hours required to do the work the sub-contracto	19
3 Actual labour hours necessary to do the work the sub-contractor.	17
4 Others	3

(*b*) Criteria to determine the direct labour cost—

1	The direct labour cost in the parent firm	6
2	The parent firm calculate the direct labour cost in the sub-contractor.	27
3	The actual direct labour cost incurred in the sub-contractor	19
4	Others	10

(*c*) Criteria to determine the factory expense—

1	The parent firm estimates its own factory expense	5
2	The parent firm estimates the factory expense of the sub-contractor	23
3	The actual factory expense required in the sub-contractor	25
4	Others	

According to the above figures, how controlling the parent firms are over the price of the work done by the subcontractors can easily be detected.

Assistance by parent firms to sub-contractors—

1. Technical guidence—

1	Periodic technical assistance	6·3
2	Technical assistant whenever it becomes necessary	35·6
3	Technical assistance upon request from sub-contractors	9·4
4	No technical assistance	10·0

2. Management guidence—

1	Periodic guidence	0·6
2	Assistance whenever it becomes necessary	4·7
3	Assistance upon request from sub-contractors..	5·7
4	No assistance	2·9

3. Financial assistance—

1	Lend machines and equipments	3·6
2	Sell machines and equipments	4·2
3	Help to secure the necessary capital for sub-contractors	3·8
4	Give guarantee when sub-contractors make a loan	0·6
	Supply the materials in order to help financially	3·3

APPENDIX VII—*cont.*

4. Other assistance—

1 Send officers from parent firms	0·2
2 Send engineers and technicians	0·2
3 Send the skilled workers	0·3
4 Hold 30 per cent or more of the stocks of a sub-contractor	0·1
5 *Not known*	8·3

OPINIONS OF PARENT FIRMS ON SUB-CONTRACTING RELATIONSHIP.

To the question: "What advantages do you think you have by utilising the sub-contracting firms ?", the answers most frequently cited were :—

"The processing can be done at relatively low cost".

"The cost can be cut down by the difference in wages".

"There is no need of increasing the fixed capital burden".

That is, the lower cost, it is natural for any rational businessmen, is the great attractiveness for the utilisation of sub-contractors. The problem which we have to consider carefully is not just the lower price, but how the lower cost in sub-contractors has been able to be realised.

Then, many parent firms also pointed out as an advantage that they can make use of the specialised sub-contractors. This is equivalent to saying that since a parent firm does not keep a certain special type of facilities and it would cost the firm very much if it is to make a new investment in them, it is cheaper to make use of the facilities which the sub-contractor has. Then this is the right direction towards the specialisation by small industries—complementarily. This trend must be aggressively encouraged by the Government measures.

Some parent firms pointed out that they can meet the fluctuation of demand by utilising sub-contractors, without making an expansion of their production capacity. That is, the sub-contractors in this sense function like a shock absorber, or a cushion for a temporary demand for production or until a parent firm permanently expands the facilities to meet the growth of demand.

Also some parent firms stated that they can keep the secrets of the firm by utilising their own sub-contractors. But this statement is to a considerable extent subjective and not valid, because some firms also stated that in this respect the use of sub-contractors is disadvantageous, because the secrets may leak out through the sub-contractors.

Concerning the disadvantages of the utilisation of sub-contractors, the parent firms most frequently cited :

"Unstableness in technical aspects".

"Unstableness in schedule, quality and cost".

"They do not keep the delivery date".

Concerning the quality control, some parent firms hold that "it is difficult to secure the sufficient reliability of quality because of the machines they use".

APPENDIX VII—*cont.*

Other disadvantages which the parent firms cited are the long distance from the parent firms which results in higher transportation cost and in difficulty of speedy communication ; the higher cost in technical assistance and receiving inspection ; the lack of knowledge of cost accounting ; the lack of capital and so on.

Inspite of these disadvantages which many of the parent firms admit in making use of sub-contracting firms, the parent firms still make use of the sub-contractors.

What measures are the parent firms taking to improve the short comings in the sub-contracting relationship ?

Some firms send staff engineers to their subcontracting firms for technical guidance, which includes such as process control, materials control, personnel administration, etc.

In order to cope with problems created by the long distance from the parent firm, some firms installed a regular transportation. Some firms hold the regular meetings to discuss on production schedule and the schedule of order.

Some also help their sub-contractors secure the loan from banks or public financial institutions ; some even make a loan to their sub-contrators to purchase an equipment; some also help the management of sub-contractor to rationalise the operation ; even to rationalise the office works.

Then under this survey the following question was asked to the parent firms : " What do you think the parent firms should do in order to improve the technical defects of the sub-contractors ? "

The greatest number of the answers stated that their sub-contractors should become specialised according to their respective process ; that their sub-contractor should increase the dependency on their parent firms and thus be specialised according to their specialities. This opinion was for the parent firms ; some further elaborated the procedure for specialisation, that is, first the parent firm concentrates continuously one type of work on one sub-contractor and then let the sub-contractor become familiar with the work and then develop the sub-contractor into the specialisation. However, this opinion still regards a sub-contractor as an extension or part of the parent firm, not as a complemental part.

Some parent firms described their future plan to invite the technicians of the sub-contractors to the parent firm for training and for information purpose ; and to train and guide periodically the employees of the sub-contractors at the parent firm; another plan is stated to have periodic meetings at the parent firm for technicians, inspectors and operators of the sub-contrators; another plan is to hold the meeting for re-education of the manager of the sub-contractors.

One suggestion is to introduce " the suggestion system " among the sub-contractors, to be presented to the parent firm.

(Extract from Vol. of Report on the Symposium—Symposium on Small Business Development organised by N.P.C., New Delhi.)

APPENDIX VIII.

Definitions of ' Sub-contractoring ' or ' Farming out '.

1. *Dr. Eugene Staley states :*

" There are two kinds of sub-contract relations between small and large factories and many intermediate gradations. In the first place, the small firm serves more than one buyer and has a considerable degree of true independence of action. The firm is an independent sub-contractor. In the second, the small firm is wholly or mainly dependent on one large customer which takes all or nearly all of its output and to which it may also be otherwise be holden, even if legally independent. The firm is a subordinated or captive sub-contractor. The first is the predominent form in the highly industrialised countries of America and Europe. The second is very common in Japan. Both patterns are appearing sprodically here and there in newly industrialising countries. " (P. 252).

2. *The definitions and significance of " sub-contractor " in Japan :*

A. " Farming out " or " Contracting out " has been used variously by different firms, depending on what kind of work a particular firm forms out to another firm. " It means that a particular firm given to another firm which is in an inferior standing than the order-giving firm—an order to do such a work as processing, repair or others. The order-giving firm is called " Oya Gaisha " (parent firm). The firm in inferior standing is called " Shitauke Gaisha " (sub-contractor).

Shitauke Gaisha is inferior than its parent firm in all or some of the following aspects :—

(*a*) Capital strength (strength of financing, amount of money held, strength of maintaining inventories).

(*b*) Market development (new products, selling, acquisition of materials).

(*c*) Technological strength (product research, designability, assembly ability).

(*d*) Equipment and machinery.

Consequently a " sub-contracting firm " though legally independent, is economically subordinated to and dependent on its parent firm. Frequently its bargaining power is weaker.

The reasons cited for utilising a ' sub-contractor ' by a parent firm :

(1) Dispersion of business risk which may be caused by difficulty of forecasting the demands for products and economic fluctuation.

(2) The parent firm can reduce cost, after some parts can be made or some processes can be done at less cost by a ' sub-contractor' than by the parent firm.

(3) The parent firm can supplement a temporary shortage of the labour force and facilities by the use of a sub-contractor.

(4) The parent firm can supplement the technological capability. When the parent firm cannot produce certain components or do certain processes because of insufficient technology and equipment, the parent firm would utilise" sub-contractors".

APPENDIX VIII—*cont.*

(5) The parent firm can supplement the capital strength. Though it is more favourable for the parent firm to make particular components by itself, it may be more profitable for the parent firm to utilise the sub-contractors so that it may be able to save some capital which can be used for the more important and profitable projects.

(6) The parent firm wants to make use of the patents held by another firm.

(7) The parent firm wants to make use of the subcontractors as a sort of safety-valve for the Labour problems.

B. Another definition cited :

" A sub-contracted product is such a product which a particular firm let a sub-contractor produce for the firm in accordance with the specification of prepared by the firm, under the special transactional relations with their sub-contractor in order to supplement the firm's own production capability.

C. Another definition :

" The relations in which a particular firm consigned the production of products on components on a part of processing based on the specification prepared by the firm to another firm ".

D. Another writer describes this " Shitauke System " (Subcontracting System) in Japan as follows :

A sub-contractor undertakes a production for a demand from its parent firm ; some sub-contractors produce the finished products ; others produce components ; still others produce very simple parts such as screws ; and others perform some part of process. The sub-contracting system is made use of by parent firms in order to save the fixed capital investment, to avoid an impact of the business fluctuation and to exploit indirectly the cheap labour of sub-contractors. That is a parent firm utilises the sub-contracting system when it can secure parts at lower cost by depending on the several division of work than by producing them by itself.

The relationship between a parent firm and its sub-contractor under the sub-contracting system, in general is extremely unfavourable to the sub-contractor ; under the sub-contracting system a parent firm has a control over its sub-contractor.

A sub-contractor usually has no design-ability, no marketing strength for its products, no power to decide the prices for its products, because there are many sub-contractors who perform rough processing by obsolete machines, based on the specification supplied by its parent firm.

It is easy for any one who can perform this type of simple processing to start a small enterprise ; consequently, the number of competitors in the same type of work would easily grow large ; thus the parent firms would have stronger power to decide the prices of the output by sub-contractors.

APPENDEX VIII—*cont.*

According to the survey (the overall basic survey on small and medium enterprises) in 1962, it is estimated that 50 or 80 per cent of the small and medium enterprises in manufacturing industry are sub-contractors. However, among small and medium enterprises only a very small proportion has direct relationship with larger firms as parent firms. A greater part of small and medium firms have rather indirect relationship as secondary and tertiary sub-contractors with the parent firms, through the prime or direct sub-contractors of the parent firms.

For instance, there are about 350 firms making components, which are the prime and direct sub-contractors of six automobile manufacturing firms, the parent firms; and there are about 3,000 secondary sub-contractors and there are many more sub-contractors of the sub-contractors and so on. The structure resembles a pyramid.

Outline of relationship between a parent company and its sub-contractors in manufacturing industry Japanese Experience (1966).

A great deal has already been reported and discussed concerning overall situation of small and medium industries and the Govermental measures directed towards that sector at the similar symposium held in November 1964 in Tokyo.

At this symposium, I should like to focus my discussion on the situation of small and medium sub-contracting firms and their role in Japanese manufacturing industry. There are in general two types of sub-contract relations between smaller and larger factories—

1. An independent sub-contracting firm.

2. A subordinated or captive sub-contracting firm.

The first type is the predominant firm in the highly industrialised countries: where the firm of this type is merely described as a supplier or vendor by the customers of their firm.

The second type, that is a small or medium firm that is wholly or nearly all of its output on one buyer, even though legally independent is quite common in Japan; and the existence of this type of sub-contactors poses numerous difficult social politcal and economic problems which the newly industrialising societies also may have to face in the course of development.

The value of output supplied by sub-contractors as a percentage of value of output of parent plants for 1956 was 27.1 per cent in sewing machine industry the percentage was as high as 51.3 per cent for the same year, average number of sub-contractors per parent plant was 61.

It is reported in 1957 that the proportion of sub-contractors with capital under 10 million yen (the definition of small and medium manufacturing firm is a firm with capital of less than 50 million yen, employing less than 300) was 88 per cent.

APPENDEX VIII—*cont.*

Doctors Enugene Stanley and Richard Morse in their recent book 'Modern Small Industry for Developing Countries' (McGraw Hill Book Company, 1965, p. 261) after briefly analysing the situation of the sub-contractors in Japan, cited as follows :—

But our examples also reveal certain drawbacks and daners that may go with sub-contracting, especially in countries where there is a labour surplus, where many small producers are in intense competition and where there is a large gap between large firm and small ones in business skill and bargaining power. Policy makers and development agencies of the newly industrialising countries could examine the Japanese experience both for positive ideas they can get from it and for the cautious it suggests. The extensive practice of the sub-contracting system in that country have certainly contributed to Japan's ability to manufacture cheaply for home consumption and for export. But the system has also involved social abuses and misuse of economic power, with the result that the Japanese Government and Japanese Economists familiar with small industry problems have been seriously concerned to devise remedial measures.

Thus in this report the results of several recent studies undertaken by the Small and Medium Enterprises Administration of the Government and by other experts will be summarised, though not exhaustively, concerning the situation of subordinated small and medium sub-contractors and the related areas.

Increasingly serious attention has been recently given to the plight of small sub-contractors, because, though the reliable statistics are not available, out of the failures of small firms, which marked the record high in 1965, it is safely said that most of them are those firms which had at least some sub-contracting relation with larger firms.

BUSINESS FAILURE BY SIZE.

Size by Capital.	1961	1962	1963	1964
(1)	(2)	(3)	(4)	(5)
Sole proprietor and less than 1 million yen ..	350	275	496	1,205
1 million yen—5 million yen	574	1,141	899	2,172
5 million yen—10 million yen	113	189	181	424
10 million yen or more	65	174	162	411
Total ..	1,102	1,779	1,738	4,212
Percentage of manufacturing firm	56	56	56	58

Note.—The above statistics include only those business failures with liabilities of 10 million yen or more, or loss to creditors.

For 1965, the total figure is not yet available, but, so far up to December 10, there were 5,771 business failures (covering only these failures with the liabilities 10 million or more), giving the total loss of 536.43 million yen to creditors.

APPENDIX VIII—*cont.*

Consequently, if we take those firms which failed with smaller amount of liabilities into the statistics, the number of failures would be much greater.

First in this report, the general situation of the last two years experience in the business failures will be described. This phenomena may be described as a sort of growing pain in the course of economic development in Japan, which Japanese Industry as it has been most suffered in order to jump into higher plateau of her economic development; that is, this recent and ensuing development and trend would inevitably force the business community to accellarate the modernization of all the aspects of running business. this may possibly lead to the higher stage of industrialisation where as Talcott Parsons states achievement standards rather than ascription will be preponderent in the distribution of economic roles and objects, universalistic criteria rather than particularistic criteria will be predominantly employed in this distribution process, and economic roles will be more funcitionally specific rather than diffusive.

One of the important features of the recent business failures is not mere number of failures, but the failure of larger concerns, which has caused most trafic chain reaction of failures of hundreds of their captive sub-contractors.

Then, the report will proceed on the description of some Governmental measures to help the sub-contractors to improve their bargaining power in transactions; but laws and regulations may produce the intended results, but not automatically. Law for the prevention of delayed payments to sub-contractors which was enacted in 1956 will be explained, in contrast with the actual practices. And also the association for promotion of sub-contractors, the recent creations, will also be described. Only two associations were established in 1960.

Then the report will summarise the overall situation of the subordinated sub-contractors in the recent years. In this section, the relations between a parent company and its sub-contractors will be classified from various angles such as degree of presidency types of output produced by sub-contractors, the reasons for becoming the sub-contractors, the assistance from their parent companies, the transactional relations, the terms of payment and so on.

Then the situation of small manufacturing enterprises which employ 49 or less will be analysed on the basis of the survey conducted by Tokyo Chamber of Commerce and Industry in March 1963.

In 1964, Bureau of Economics, Tokyo Municipal Government made a quite valuable study of the sub-contractors in Tokyo from the point of view of parent companies: this study was confined to the engineering industries such as machine tool manufactures, precision equipment and appliance manufacturers, precision equipment manufacturers, and metal products manufacturers. And these firms in this sector which employ 300 or more workers were selected for the study.

Further more, the study was based on 51 such firms which replied to the questionnaire which had been sent to 136 firms. Therefore, the study may not be a good sample in and statistical sense; however, the result may shed some light on the relations between the parent companies and their sub-contractors, the mentality of the parent companies and their attitude towards their sub-contrators.

This reporter likes to add one rather unusual case study made by Dr. Kiichiro Isobe on the development of the sub-contracting relations between one automobile and tricycle manufacturing firm and its sub-contractors; this firms formerly had not made so wide use of sub-contactors as other automobile manufacturing firms and this firm extended the use of sub-contrators over that last several years, as the output increased.

Then recently some of the automobile makers and other manufacturing firms have come to realise that the existing sub-contracting system is neither economical and advantageous in the international competition, nor instrumental in loss solving the existing wide gap between large firms and small firms. As a result, some attempts have been recently tried by some large automobile assembly plants to help their sub-contractors to specialise components and at the same time to encourage them to cater to other customers than the orignal parent company.

Again using the words of Drs. Stanley and Morse, " We mean by traditional small industry those forms which prevail in and cater to the needs of the traditional economy. Traditional small industry is characterised by products, techniques and organisation not very different from those of previous generation ".

This implies that " traditional " indusry is inefficient, techonologically non-complex and strongly resistant to innovatiot.

Further, Drs. Stanly and Morse, state, " Modern small industry........ is progressive in outlook and adaptable to changing conditions, use the results of modern science and invention in its prouction processes and applies reasonably up-to-date ideas of organisation and management in its business operation. Modern small industry thus differs from traditional in four major respects:

1. Outlook. There is continual search for improved ways, ready adaptability.

2. Products and product design. Products are suited to modern needs or to the emerging needs of an economy in transition from traditional to modern.

3. Physical technology of production. Appropriate use is made of efficient machines, good plant layout, precise control of chemical processes, etc.

4. Social technology of organisation and management. Appropriate use is made of business planning and budgetting, market analysis, cost accouting, enlightened ideas of personnel management, etc.

These criteria for modern small factory are the goals which small and medium firms in Japan should strive to achieve.

(Volume I—Report on the Symposium.)

APPENDIX IX.

Industrial Estates set-up in Tamil Nadu :

The different categories of Industrial Estates in the State are Conventional, Private and Co-operative, Functional and Ancillary.

Conventional Industrial Estates.

	Name of Estate.	Factory Units constructed.
1	Guindy	129
2	Ambattur	117
3	Madurai	40
4	Tiruchirappalli	29
5	Dindigul	18
6	Katpadi	16
7	Virudhunagar	15
8	Pettai	12
9	Karaikudi	12
10	Krishnagiri	12
11	Pudukottai	12
12	Erode	11
13	Kovilpatti	11
14	Arkonam	8
15	Theni	7
16	Thanjavur	6
17	Sivaganga	6
18	Nagercoil	6
19	Marthandam	5
20	Kancheepuram	4
21	Kumbakonam	4
22	Mettur	4
23	Karur	4
24	Nagapattinam	4
		492

APPENDIX IX—*cont.*

Private and Co-operative Industrial Estates.

Name of Estate.	Units constructed.
1 Vyasarpadi Co-operative Industrial Estate, Vyasarpadi	53
2 Coimbatore (P) Industrial Estate, Coimbatore	42
3 K. R. Sundaram Private Industrial Estate, Tiruvottiyur	20
4 Tuticorin Co-operative Industrial Estate, Tuticorin	20
5 Shakthi Co-operative Industrial Estate, Pollachi	20
6 Sivikasi Co-operative Industrial Estate, Sivakasi	20
7 Salem Co-operative Industrial Estate, Salem	12

Functional Industrial Estates:

Two Functional Industrial Estates—

(1) For ceramics in Vridachalam

(2) For leather at Madhavaram

were established. In addition, the following functional estates have been sanctioned :—

Name of Estate.	Units sanctioned.
1 Electronic Industries near Madras	30
2 Electrical Industry, Kakkalur	16
3 Instrument Industry, Adyar	15

Ancillary Industrial Estates:

The Government have sanctioned establishment of two ancillary industrial estates :

(1) At Thiruverambur in Tiruchirappalli District for the Boiler Plant.

(2) At Vadalur, South Arcot District for ceramics.

Proposals are there to start an ancillary industrial estate in Ooty to serve Hindustan Photo Films. The other estates sanctioned are :—

Name of Estate.	Units sanctioned
1 Ancillary Industrial Estate, Tiruverambur	10
2 Ancillary Industrial Estate, Vadalur	6
3 Ancillary Industrial Estate, Ooty	6

APPENDIX IX—*cont.*

Developed plots.

Location.	Land acquired.
	(ACRES).
1 Ambattur	950.79
2 Ranipet	711.52
3 Madurai	525.49
4 Tiruchirappalli	478.38
5 Mettur	209.08
6 Guindy	157.43

With a view to liberalising conditions of payment of the cost of Developed Plots and to make it more attractive to the Industrialists. Government have issued orders in November 1969 as follows :—

1. In case of developed plots at Ambattur cost per acre has been reduced from Rs. 30,000 to Rs. 20,000.

2. In case of developed plots at Guindy cost of the land is to be paid in six instalments.

3. Regarding developed plots in the Mofussil—Madurai, Tiruchirappalli and Mettur, Government have approved collection of cost in six annual instalments.

Another new incentive now offered in the case of mofussil plots in that lands could be allotted to industrialists on long term lease basis for a period of 95 years the annual lease amount being only 6 per cent of cost of developed plots. Lessee can exercise option to purchase on outright basis within ten years.

ANNEXURE X.

Financial Projections for Ancillary Units and Sub-Contract Exchanges.

(RS. IN LAKHS).

Sources.	Actual Expenditure. Fourth Plan (upto 1974 only).	Projection. V. Plan (1975–1980). I	II	III	IV	V	Total.	VI Plan (1980–1985). I	II	III	IV	V	Total.	1986–87.	1987–88.
I. Ancillary Industrial Estates—															
(a) Spillover Schemes—															
(i) Tiruverumbur	8·73	..	..	..	..	..	..	..	..	..	..	..	..	..	..
(ii) Vadalur	1·32	..	..	..	..	..	5·00	..	..	..	..	..	5·00	2·00	2·00
(b) New Schemes—															
(i) Tiruverumbur Expansion ..	15·00	..	..	..	..	..	30·00	..	..	..	..	..	30·00	5·00	5·00
(c) Private Industrial Estates ..	..	..	..	..	..	..	30·00	..	..	..	..	..	45·00	5·00	5·00
II. Sub-Contract Exchange of SISI—															
(a) General maintenance	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
(b) Expansion															
(c) Decentralisation															
(d) Separate subcontract exchange for service ancillary units.		Sanctioned on experimental basis.													
(e) Provision of facilities for inter-State operation of sub-contract exchanges.		Expenditure could not be foreseen.													
III. Setting up Testing Laboratories at Key Places for Ancillaries near major units.	20·00	..	..	..	..	..	25·00	..	..	..	..	..	25·00	5·00	5·00
IV. Strengthening of existing Testing Laboratories with Staff to advice on Product Development.	..	..	..	..	..	..	10·00	..	..	..	..	..	10·00	1·00	1·00

V. Subsidy to sub-contractors (inclusive of major units) to equip themselves with at least the minimum requisite testing instruments.	..	..	..	..	..	..	5·00	..	..	..	..	..	10·00	2·00	2·00
VI. Setting up of Central Standardisation and Research cell near ancillary units.	..	..	..	..	..	..	5·00	..	..	..	..	..	5·00	1·00	1·00
VII. Reimbursements of shifting charges for small ancillary units to ancillary estates to provide better facilities for water and effluent treatment.	..	..	..	..	..	..	5·00	..	..	..	..	..	10·00	2·00	2·00
VIII. To set up small ancillary units in each industrial estate to engage in "Group service" for oil reclamation, tool maintenance and disposal of scrap.	..	..	..	..	..	..	6·00	..	..	..	..	..	10·00	2·00	2·00
IX. To set-up service units to assist ancillaries for maintenance of accounts on stock, finished products, scrap and also to prepare cash flow and budget statements.	..	..	..	..	..	..	6·00	..	..	..	..	..	10·00	2·00	2·00
X. Payment of subsidy to extend credit facilities by banks to ancillaries with interest at 2 per cent less than normal rate to S.S.I. units.	..	..	..	..	..	..	6·00	..	..	..	..	..	6·00	2·00	2·00
XI. A liaison wing in the Directorate of Industries for ancillaries with a Special Officer and staff.	..	..	..	..	..	..	6·00	..	..	..	..	..	10·00	2·00	2·00
XII. Strengthening of Directorate of Industries when empowered to register ancillaries.	..	..	..	..	..	..	3·00	..	..	..	..	..	5·00	1·00	1·00
XIII. Surveys on "Census of Production" to project future opportunities quantitatively for ancillary development in the State.	..	..	..	..	..	..	5·00	..	..	..	..	..	10·00	2·00	2·00

ANNEXURE X—*cont.*

FINANCIAL PROJECTIONS FOR ANCILLARY UNITS AND SUB-CONTRACT EXCHANGES

(RS. IN LAKHS.)

Sources.	*Actual Expenditure.* *Fourth Plan.* (up to 1974 only).	Projections. *V Plan* (1975–1980) I	II	III	IV	V	Total.	*VI Plan* (1980–1985) I	II	III	IV	V	*Total.*	1986–87	1987–88
XIV. Cost of periodical publication of booklets detailing the facilities available to ancillaries.	..	..	..	..	..	..	5·00	..	..	..	..	..	10·00	2·00	2·00
XV. Provision of "Raw Material" bank exclusively for ancillary units.	..	..	..	..	..	..	5·00	..	..	..	..	..	5·00	1·00	1·00

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LIMITED, MADRAS.

FOREWORD.

Tamil Nadu Government has been the very first State Government in India to take action to set-up a Planning Commission at State level in order to draw up a Ten-Year Plan to ensure orderly development of the State in various spheres of activity. Much credit will therefore go to the State Government of Tamil Nadu for having shown this vision and foresight.

It is by mere accident that I was chosen as the Convenor for the Working Group on "Marketing, Quality Control and Reservation". My predecessor Thiru Ramakrishnan, I.A.S., Director of Handlooms was the Convenor who conducted the first meeting of the Working Group. On account of the fact that he entered on leave, I was given the opportunity tobe the Convenor of this Working Group. I am therefore very grateful to Thiru N. Mahalingam, the Chairman of the Task Force on Small Industries for having chosen me as the Convenor of this Working Group and thus given me the opportunity to make a contribution in my own small way.

As everyone is aware, for a little more than a decade the Small Scale Industries have been progressing. As is the case with every such new developmental activity, the growth of small-scale industries has been under the 'Laissez-faire' policy hitherto and it goes to the credit of the small-scale industry movement that much has been done both by the State Government and by the industrialists to earn for it a firm place in the Industrial Economy of India.

Along with growth problems, headaches also grow. This is quite true of the small scale industry movement in India at present. It is therefore for the authorities in power to analyse these problems and to seek remedies.

The days of sellers market have gone with the abundant production and competition in the small-scale sector, there is need for a planned growthfor further development in this sector and a sophisticated approach is needed in the programme of assistance given to this sector by the Government.

In this context, therefore the attention of that is required to be given to Marketing, Quality Control and Reservation is of very great importance in the future development of small-scale industries. The Chairman, Thiru N. Mahalingam, therefore deserves to be congratulated for having set-up a separate Working Group on this subject.

Three meetings of the Working Group have been convened in order to thoroughly discuss the subject and make useful and valuable recommendations. The members of this Working Group are very knowledgeable gentlemen drawn from Industry and my sincere thanks are due to them for the very valuable suggestions and guidance which they have given me in making suggestions and drafting this report. The Secretary of the Task Force, Thiru R. Muthukrishnan, has been of very great assistance in the work of this Working Group and without a word of thanks for his services and endeavours, I feel that the report of the Working Group will not be complete.

C. V. V. CHETTI,
Convenor.

Dated 14th July 1972.

CHAPTER I

INTRODUCTION.

1.1 In furtherance to the efforts through the Five-Year Plans to promote the social and economic conditions of the State and in order to enable the Government to implement its policies effectively by full utilisation of the various resources available in the State, the Government of Tamil Nadu in G.O. Ms. No. 773, dated 25th May 1971, have constituted the State Planning Commission to advice on future plans. The State Planning Commission has programmed to draw a Sectoral Plan on long-term basis by constituting Task Forces on each subject. Small industries have been given importance among the programmes of industrial development and a Task Force exclusively for this sector headed by Thiru N. Mahalingam, B.SC., M.I.E., has been set-up. The Task Force on Small Industries is to be advised by eight Working Groups formed on 'problem-wise' basis. The Working Groups are assisted by officials of connected branches from various departments and competent non-officials who have good industrial background in the field of study of Working Groups.

1.2 One of the Working Groups is to deal with the subject of 'Marketing, Quality Control and Reservation' relating to Small Industries. Thiru K. S. Ramakrishnan, I.A.S., former Director of Handlooms, was nominated to be the Convenor for this group. The other members of the group are as follows :—

(1) Thiru S. Nagarajan, Director, Small Industries Service Institute, 65/1, G.S.T. Road, Madras-32.

(2) Thiru S. Subramanyam, Director, Indian Standards Institution, 54, General Patters Road, Madras-2.

(3) Thiru P. P. Reddy, Joint Director of Industries (Chemicals), Industrial Estate, Guindy, Madras-32.

(4) Thiru K. N. Subbiah, General Manager, South India Corporation, 99, Armenian street, Madras-1.

(5) Thiru G. Chandrasekaran, Senior Consultant, National Productivity Council, No. 6, Monteith Road, Madras-8.

(6) Thiru P. A. Mariappan, Secretary, Madras Productivity Council, 51, Sir Thyagaraya Road, Madras-17.

(7) Thiru C. V. V. Chetty, Development Officer, Tamil Nadu Small Industries Development Corporation Limited, ''Kannammai Building'', 122, Mount Road, Madras-6.

(8) Thiru K.Periaswamy Gounder, Amarjothi Fabrics, Karur, Tiruchirappalli district.

(9) Thiru R. Muthukrishnan, Secretary of the Task Force on Small Industries.

1·3 After meeting once in December 1971, Thiru K. S. Ramakrishnan entered on earned leave. Then Thiru C. V. V. Chetty, Development Officer, SIDCO., was nominated as Convenor.

The follwoing persons were also co-opted as members as decided in the second meeting of this group :—

(1) Thiru T. M. Srinivasan, President, Industrial Estates, Manufacturers' Association, Guindy, Madras-32.

(2) Thiru PL. Reddy, Industrialist, "Deepika", Nungambakkam High Road, Madras-34.

1·4. As a measure of proper co-ordination among the Working Groups under the Task Force on Small Industries, the State Planning Commission has created the post of a Secretary for the Task Force and Thiru R. Muthukrishnan, an officer in the cadre of Deputy Director in the Department of Industries, acted as Secretary.

MEETINGS.

1·5 This Working Group met on 20th December 1971 under the Convenorship of Thiru K. S. Ramakrishnan, I.A.S., and then met on 7th and 24th April 1972 and 27th May 1972 under the Convenorship of Thiru C. V. V. Chetty, who was nominated as the Convenor, since Thiru Ramakrishnan entered on earned leave.

Terms of Reference.

1·6 The terms of reference to guide the Working Group are furnished below :—

(*a*) To make an assesment of the material, capital and human resources as are found to be deficient in relation to State's requirements.

(*b*) To formulate a long-term plan for the most effective and balanced utilisation of the State's resources ;

(*c*) To indicate factors which are tending to retard the economic development and to determine the conditions which could be established for successful execution of the plan;

(*d*) To make ancillary or interim recommendations as appear to be appropirate either for facilitating the discharge of duties assigned to it or on a consideration of the prevailing economic consideration, current policies, measures and development programmes.

1·7 Keeping the above terms in view, the Working Group discussed in detail the possibilities of developing the quality control programmes (to make the small industries quality conscious), marketing facilities and enlarging the list of products reserved for the development in the small-scale sector.

1.8 The following background papers/reports were studied by the group :—

(1) From Thiru S. Subramanyam, Director, ISI., Madras, on the quality Testings aspects of ISI.

(2) From Thiru S. Nagarajan, Director, SISI about reservation for small scale industries and marketing arrangements through SISI.

(3) Note on testing facilities for small scale industries through various agencies in Tamil Nadu both Central and State circulated by the Secretary, Task Force on Small Industries.

(4) From Thiru P. P. Reddy, M.SC., PH.D., Joint Director of Industries at chemical testing laboratories at Madras, on testing facilities for electronics at Madras.

(5) From Thiru T. M. Srinivasan, on the reservation for small-scale industries.

CHAPTER II.

GROWTH FROM INCEPTION OF SMALL SCALE INDUSTRIES.

2.1 The planned growth of industrial development through Five-Year Plans has made the State's economy to acquire a new viability and dynamism in the emotional activities of industries. The second and third Five-Year Plans enabled the development of modernised small scale industries and induced the necessity for obtaining the consumer goods mostly from small scale industries. A revolution has taken place in Tamil Nadu with impressive strives in the diversification and expansion of industrial activities. This has also given relief to a certain extent on the problems of unemployment or under-employment. The Centre as well as the State have well recognised that the key to the solution of the problems of widespread poverty and unemployment is only through rapid industrialisation that too in small scale sector. When the programmes for industrial expansion through Five-Year Plans were implemented, certain other measures to safeguard the interests of the small scale sector and large scale products were also to be taken. These measures comprised of certain preference in prices to be considered for small scale products through Government purchase programmes, establishment of marketing centres and setting up of modern testing laboratories in public sector. Separate organisations were also set-up to help small scale units in having export market facilities with necessary incentive provisions.

2.2 The Small Scale Industries started almost from scratch in 1954. In Tamil Nadu there were about 10,000 units in 1964 which have become nearly 25,000 units in 1971, contributing a growth rate of about 12 to 15 per cent annually. A statement of the units registered with the Directorate of Industries from 1966 is given at Annexure-I. The All-India figure of S.S.I. units is 2·25 lakh units approximately.

2.3 From inception, there were considerable handicaps in not having the desired statistical information on the small scale sector. Even now, the system of registration of these units in the books of the Directorate of Industries is only on ' Voluntary basis' but one should not forget that there are also nearly equal number of unregistered units under the ' non-house-hold ' and ' non-factory ' establishment units about which nothing much is known. Hence, with the figures of the units registered with the Directorate of Industries, it was possible for this Group to suggest, within its scope of study, certain measures to achieve the desired development in the coming period.

CHAPTER III.

PART A. ROLE AND PROCEDURAL.

I. MARKETING.

3.1. Among a number of measures to promote small scale industries, an important programme of the Government comprised of the assistance for marketing the products of small scale industries. This has enabled the creation of certain organisations exclusively for this purpose. Over and above, as an effective instrument to sustain the growth of small scale industries, various measures were taken to find their market, among which the important programmes are :

(1) introduction of Government store purchase programmes.

(2) Provision of grants for managerial expenses to agencies both public/private engaged in sale of SSI Products,

(3) Encouraging the small scale industries Association or SISI to set-up 'trade centres' / Exhibitions for displaying the small scale products,

(4) Setting up of permanent exhibitions in key centres to attract the consumer's for small scale products, and

(5) Organising mobile exhibitions to go round the country canvassing orders for the small scale products.

The role of institutions concerned to make these provisions are narrated below :—

(1) SMALL INDUSTRIES SERVICE INSTITUTE.

3·2. This institute conducts distribution aid surveys to assist small scale entrepreneurs to improve their markets. The nominal fee of Rs. 250 per product is charged for such surveys. Besides this the scope for such markets for various products is also indicated in the reports on area survey. Techno Economic Survey, etc., is also conducted by the institute from time to time.

3.3. A permanent exhibition in the Industrial Estate, Guindy jointly organised by the Tamil Nadu Small Scale Industries Association, Madras, the SISI, Madras and the Department of Industries and Commerce, Madras is set-up. The main objectives of this permanent exhibition are :

(i) to project the image of small scale industries and the impressive progress made by them in the various fields ; and indicate the direction of further progress in modern and sophisticated items of production.

(ii) to indicate the role of small industry in the field of development of Ancillaries.

(iii) to provide opportunity for small enterprise to see the wide array of odpructs manufactured by others with a view to enthuse them in developing new lines of production;

(iv) to attract foreign and Indian visitors to Madras to see the development in the field of small scale industries, and

(v) to enable the prospective buyers to see the products and to make trade enquiries.

The periodical exhibitions of short duration are also held for highlighting the scope for development of ancillary small scale units.

This institute also assists the small scale industries in the Government Purchase Programme by way of sponsoring their applications for G.S.P.P. (Government Store Purchase Programmes) registration with NSIC and also recommends competency certificates to NSIC in case of units being considered for the particular tender.

SUB-CONTRACT EXCHANGE OF SISI :—

3.4. A sub-contract exchange for Tamil Nadu is functioning in the SISI. This was set-up in the year 1970 with the assistance of UNIDO expert to offer more precise service, to have good co-ordination between large scale and small scale units in obtaining working service facilities. This is a novel venture to assist contacts to small scale industrialists who have idle machine capacity. The exchange enlists the capacity of the small scale industries and receives enquiries from the prospective buyers by telephone, by letter or during the visits to the exchanges. Based on the information on capacities available with small scale industries, the suitable units are located in the capacity, matching the particular enquiry of the buyer. Then the sub-contractors are communicated to establish their interests in the work. Commencing from 1st June 1970 the progress of the exchange as on 31st December 1971 is furnished below :—

Enquiries received	.. ..	879
Enquiries processed	.. ..	786
Enquiries under process	.. ..	93

(2) GOVERNMENT PURCHASE PROGRAMME.

3.5. The Store Purchase programme drawn by Government is an effective instrument to sustain small scale industries growth as long as quality and price of the purchased products from small scale units are on a comparable level with that of large scale sector. Certain preference is given in purchase of Government requirements in favour of this weaker section. Each state has its norms in fixing the percentage of purchase from the small scale sector as well as the percentage of price preference over that of large scale products. The details of the preferential treatment in Government Purchase are given at Annexure-III.

(3) EXPORT PROMOTION.

3.6. As a part of the process to follow the experience of certain foreign countries like Japan, in endeavouring to industrialise by intentionally and possitively building up export industries, small scale industries have been assisted to attain sophistication and specialisation in production so as to enable them to enter the export sector and make their

MADURAI.

contribution to the earnings of Foreign exchange to the nation. The Fourth Plan has contemplated certain targets for the Indian Exports of industrial products out of which atleast 10 per cent is aimed to be the share of small scale sector. Hence, the Government of India, have proposed to develop selected industries with considerable export potential and help them to improve the competitive strength. This will also cause certain modernisation in the products. A careful study is proposed to be made by DCISSIO in co-operation with the specialised organisations and select the industries for the purpose of intensive export promotion. The main industries likely to participate in this are machine tools, automobile ancillaries, domestic electrical appliances, cutlery, electric fans, radios and transistors. It will be necessary to have an inspection of products before export and the small industries Service Institute have taken ample steps to set-up links. However, it is worth mentioning that the export performance of small scale sector has been very poor compared to the potentiality available in the field. This is also mainly due to the lack of proper co-ordination among agents concerning the export promotion and development facilities such as provision of raw materials on suitable specifications and foreign exchange.

3.7. Tamil Nadu in its efforts to help small scale industries to arrnage for export of their products, have set-up a separate wing in the SIDCO, which co-ordinates these arrangements between the sector and the consumer abroad. At present this organisation has no experience in the field and is yet to strengthen itself to take up this work. There is every possibility of this Corporation to devote more attention to this work in the coming period. Apart from export market facilities this organisation is also to be geared to assist in domestic marketing facilities for small scale porducts. It is anticipated that in co-ordination with the departments responsible for promotion of small scale industries like Directorate of Industries and Commerce, SISI, and NSIC, sizeable efforts will be taken by this Corporation.

3.8. It will be noteworthy that in Japan, an industrially advanced country, an organisation in the style of 'small business financial corporation' was set-up in 1953 as fully government owned and specialised institution for meeting the long term financial needs of small scale industries of that country. It also gives financial help for specified small business, and export promotion loans. This loan is given to finance for the purchasing of equipments by industries designated by law, which have obtained a year's export contract for their productions or 20 per cent of whose sales are to the export market. The financial institutions in India for small scale sector may perhaps follow these lines to help the small scale industries for export of their products.

II. QUALITY CONTROL.

3.9. In the country's endeavour to improve the quality consciousness of the products of small scale industries and to have a comparable standard with that of large scale items the Centre and the States have set-up several testing and analytical laboratories through which the small scale industries could get facilities to test their products.

3.10 As already stated under marketing, the small industries products can be easily marketed provided their standard and the prices are on a comparable level with the large Scale sector. But the small scale units are not in a position to equip themselves with the

standard testing machines of their own and Government have come forward to help this sector by setting-up modernised testing laboratories and to render services on concessional terms. The role of the State and Central organisations in this direction are narrated below :—

A. DEPARTMENT OF INDUSTRIES AND COMMERCE.

(1) *Chemical Testing and Analytical Laboratory.*

3.11. Realising the importance of testing and quality control in the development of industries, the State Government have set-up a full-fledged chemical Testing and Analytical Laboratory in 1951. This laboratory was originally housed in Washermanpet and then was shifted to the permanent building in the Industrial Estate, Guindy, in 1957. It takes up all types of testing of various industrial raw materials and finished products. These include ores, minerals, fuels, ferrous and non-ferrous metals, alloys, cement, water, manures, fertilisers, soaps, fats, chemicals, food products, paints and varnishes, etc., and is qualified to undertake complete range of testing and analysis of these items. This aboratory also contains special testing equipments like Calorimeters, Spectrometers, Polarograph, Microscope, Moisture determination apparatus, Paint testing equipment, Humidity Chamber, Salt Spray Cabinet, Muffle furnaces, Strohlein apparatus, Vacuum oven, etc. The State Government departments gets the samples tested free of cost. There are schedule of rates to test samples of private industrialists. As an incentive there is a 50 per cent concession to small scale industries. Wherever testing is done through ISI, a concession of 33·3 per cent is shown. It has another specialised wing for beneficiation experiments on low grade iron ore of Salem. This laboratory has also got a well-eqipped library with over 10,000 standard and reference books besides booklets of ISI, BSSI and ASTMI and other German sepcifications.

3.12. Later on, a Mechanical and Metallurgical laboratory was set-up as an adjunct to the Chemical Testing and Analytical Laboratory. This has been equipped with special machinery and sophisticated equipments such as Universal Testing machines, Hardness testing machine, Impact Fatique Creep, Spring, Testing machines, Magnetic Crack Detector, Ultrasonic Flaw Detectors, X-Ray Radiograph, Spectrograph, Plastic and Rubber Testing machines, Metal-Orgraphic Microscope, Weatherometer, Foundry Sand Testing Machine, etc.

3.13. The testing works connected to the establishment of Madras Refineries and Madras Fertilisers at the erection stage were fully taken up by this laboratory, at Guindy. This laboratory has been recognised by the ISI, DGS & D, Lloyds Registered Survey, Railways, Chamber of Commerce and well-known Industrial establishments like Binny Ltd., etc. The entrepreneurs have also got facilities to obtain techincal informations on problems relating to Chemical and Allied Industries and has helped ISI in the formulation of standards on drafting ISI specifications. With the intention of dispersal of industries all over the districts in the state and to render testing facilities to the units in the industrial estates in moffusil, Regional Testing Laboratory at Madurai was set-up in the industrial estate at Madurai, to cater to the needs of the units in the districts of Tiruchirappalli, Madurai, Ramanathapuram, Tirunelveli and Kanyakumari. The functioning of this Laboratory is more or less on the same lines at Guindy and will be fully equiped

in the coming years. One more laboratory is likely to be set-up at Coimbatore to meet the testing needs of the units situated in Coimbatore, Salem, North Arcot, South Arcot districts, etc.

SAGO RESEARCH LABORATORY AT SALEM.

3.14. The Sago Experts Committee and The Tariff Commission recommended in 1956 to set-up a laboratory at Salem for testing samples of Sago in accordance with the ISI specifications so as to assist the manufacture of Sago in a scientific manner and also to achieve the minimum working conditions necessary for operation of their factories. The State Advisory Board for Sago Industry decided that such laboratories should be set-up by the State Government and that the state could exercise adequate control on the Sago industry in the state. Consequently this laboratory was set-up at Salem and has got facilities to test Sago and starch products of ISI specifications. A nominal fee of Rs. 5 per sample of sago is charged and 50 per cent concession is shown for testing samples from SSI units. This laboratory besides testing work is also engaged in offering techincal guidance to the manufacturers in respect of process of manufacture, yield, operational efficiency, purity of the products, etc.

CHEMICAL ENGINEERING WING AT TUTICORIN.

3.15. Tamil Nadu has the fortune of vast coastal line and a well-developed salt industry. Abundant opportunities are therefore available for developing marine chemicals industry utilising sea bitterns as bye product of salt industry. Therefore with the intention of developing this industry, a chemical Testing and Analytical Laboratory exclusively for conducting pilot plant investigations on the utilisation of sea bitterns has been set-up at Tuticorin. The bittens contain valuable chemicals such as Bromine, Magnesium Chloride, Magnesium Sulphate, Pottassium Chloride, etc. Based on the results of the investigations in the manufacture of light basic magnesium carbonate and pottassium chloride for sea bitterns, 2 departmental units have also been set-up at Tuticorin. It is the intention of the department that after the pilot plant investigations on the sea bitterns are over, the equipments available therein will be made use of to start a Chemical Engineering Laboratory in order to provide technical know-how and process development. The Chemical Engineering Wing has also been equipped with general chemical engineering machinery such as Reactor, Evaporator, Filters, Heat Exchanger, Boiler, Furnace, etc. Among investigations so far made, it is worth mentioning about the efforts 'selsmix' from bitterns, separation of Magnesium Sulphate, active carbon from Chinchona bark, etc. Investigations are also being conducted by this Wing on Furfurals from bagassee, Alum from Bauxite, Sodium Sulphide from Sodium Sulphite chrome pigments, etc. It has also been the achievement of this Chemical Engineering Wing in the preparation of feasibility reports on important industrial chemicals like Pentachloro phenoe, Glue, Chrome pigments, Alums, Carbon Black, Aluminium Hydroxide, Benzene hexachloride, Malt extract, Tamarind kernal Powder, etc.

MARINE RESEARCH STATION AT TUTICORIN.

3·16. In addition to the departmental units functioning at Tuticorin, Government have also approved the setting up of Marine Research Station at Tuticorin, where salt industry has achieved considerable development both in the extent of operation and

improved methods of production. The objectives of this Station include mechanisation for raising the output of salt and its bye-products, for producing different forms of salt, for developing processes for extraction of metals from bitterns, iodine, alginic acid, etc., and to be an information centre for salt industry. Anticipating a good scope for the expansion of salt industry in next 10 years, it is expected that the Research station should play on effective role in tackling the problems relating to the development of salt industry. This station is likely to commence operation shortly after construction of the building and purchase of equipments.

CENTRAL ELECTRICAL TESTING LABORATORY AT KAKKALUR.

3.17. This laboratory has been set-up in the functional industrial estate for electrical goods at Kakkalur (22 miles away from Madras), for providing 'after production' testing facilities for the various types of electrical goods like appliances, controls, switch gears, instruments, etc. It also provides certification and product development facilities. The services are available mostly for small scale sector and the laboratory is expected to take up testing to the standards of ISI, DGS and D, Railways, and also other export standards. On economic consideration, it was not possible to extend special High Voltage Impulse Testing Facilities. Some concessions are expected to be allowed to small scale sector in offering testing facilities and the details are being worked out.

TESTING LABORATORY FOR ELECTRONICS INDUSTRY AT ADYAR.

3.18. As a measure of providing required infrastructure facilities for the development of electronics and Instrumentation industry and in order to provide adequate testing facilities for testing product development and certification, a fully equipped modern laboratory has been planned to be set-up near Electronics Instruments (Instronics) Estate at Adyar. With the assistance from Electronic Commission of India, this laboratory will provide facilities for Electronics and Instruments industries which were hitherto available only in Bangalore, Bombay and Hyderabad. This laboratory is expected to be commissioned by about 1973.

B. SMALL INDUSTRIES SERVICE INSTITUTE.

3.19. The Regional Centre of the SISI at Madras has a number of schemes to help small scale sector in quality control aspects which are narrated below :—

CHEMICAL SECTION : MADRAS.

3.20. This section helps to determine the thickness of the electroplated coatings of ISI, Defence and other specifications, volumetric and gravimetric analysis for testing the electroplating solutions, testing the non-ferrous metals and simple chemical formulations like phenyl, fountain pen ink, etc. There are proposals to equip this section with gas test apparatus, magna gauge to do accelerated and propriety tests.

CERAMICS SECTIONS :—

3.21. This Section takes up testing the plasticity of different clays, tensile crusing strength of ceramic bodies up to 250 kg., testing the thermal expansion of ceramic material up to 1,000°, sieve analysis, testing the flexurial strength of the roofing tiles as per ISI specifications and crusing strength of bricks.

MECHANICAL SECTION :—

This section takes up testing of metals in hardness and tensile and compression.

SISI EXTENSION CENTRES :—

3.22. *Coimbatore.*—Being the place of concentration for Foundry Industries this extension centre is equipped to take up foundry sand testing, hardness testing of metals, tensile and compression testing of metals, transverse testing of grey iron casting, chemical testing of metals and electric motor testing. The objectives of this testing laboratory is to assist more and more units in getting ISI certification marks. The electric motor testing laboratory has been recognised by the ISI for routine testing of electric motors.

Madurai.—Facilities are available to conduct hardness testing of metals, tensile and compression testing of metals for determining the thickness of electroplated coatings, volumetric and gravimetric analysis for testing the electroplating solutions.

Pondicherry.—The laboratory at Pondy is equipped for hardness testing of metals and foundry sand testing.

GENERAL :—

3.23. There are proposals to start a Regional Testing Laboratory at Madras with Metrology Laboratory, Physical Testing Laboratory and Analytical Laboratory. The first two items will infuse quality consciousness among small scale industries and by and large will cater to the industries such as bicycles, automobile ancillaries and machine tools, etc. The third one will be a general purpose chemical laboratory and will render assistance to industries engaged in manufacture of plastics, rubber, paints and varnishes, printing inks and soaps, pharmaceuticals, paper conversion and food industries. Charges for testing are very normal and concessions are shown for services rendered to small scale industries.

C. INDIAN STANDARDS INSTITUTION :—

3.24. ISI grants licences to manufacturers under the powers vested in it by the provisions of ISI Certification Marks Act of 1952 and subsequently amended from time to time, in respect of those articles which are manufactured in conformity with the requirements of relevant Indian Standards published by ISI. For the purpose of certification marking, the institution has powers to recognise as an Indian Standard in such manner as may be prescribed by a standard established on any other institution in India or elsewhere, in relation to any article produced or manufactured.

3.25 Licences have already been granted to factories producing alchohal beverages, soaps, coal carbonisation products, enamelware, pigments, extruders, brushware, glassware, flushdoors, plywood, steel products, pressure pipes, ARC welding electrodes, welding equipment, insulators, components, bicycles, winding wires, pressure cookers wire mesh, etc.

The Madras branch of ISI is having a small laboratory to undertake testing of chemicals pesticides, food products, conductors, sanitary ware, etc.

The procedure and fees payable for obtaining the licence and to use the ISI certification marks are narrated below :

3.26. The application should be made in the prescribed form with a fee of Rs. 100. Separate application has to be made for each product. ISI makes a preliminary inspection of the factory to check up the testing facilities possessed by the applicant and also to ascertain the quality control exercised by the applicant during the manufacturing process. Samples are drawn for testing and the charges for testing for the same are to be borne by the applicant. The applicant is informed of the scheme of testing and inspection, specifying the control required to be maintained by the applicant in the process. The marking fee is fixed depending on the quantum of annual production. The licence is granted only when considered essential testing facilities are available in the premises of the firm for testing the products for the requirement of the related standard. However, for a few costly and difficult tests, facilities available with the Public Sector laboratories can be made use of by the applicant. The quality control under ISI certification marking schemes envisaged on the applicant not only laboratory facilities ; but also requisite personnel to operate quality control and inspection procedures. Apart from application fee of Rs. 100 which is not refundable, preliminary inspection charges of Rs.100 should also be paid. An annual licensing fee of Rs. 50 per application is charged.

3.27. The Madras branch of ISI has also been allotted with a land near CSIR campus in Madras-Adyar where it is proposed to build its own premises for a laboratory-*cum*-office including additional facilities for testing water, electrical motors, pumps, domestic electrical appliances, food products, etc.

III. RESERVATION:—

3.28. The effective implementation of the programmes through Five-Year Plans and the efforts to modernise small scale industries have caused rapid development of small scale industries during the past decade both in number and in terms of volume or output. The production not only confines to consumer goods, but also to sophisticated engineering and chemical products. The Government purchase programme has grown considerably and the items purchased from small scale sector have also registered an increase. The Director-General of Supplies and Disposals has given an appreciable recognition on the capability of small scale units to meet his requirements at the specified standards.

3.29. Thus when it has been recognised that small scale industries could also play a fair role in the national economy, Government came forward to extend certain preference for this weaker section for reserving items for development exclusively in the small scale sector in order to avoid unhealthy competition of the producers of large scale sector by mechanised process.

3.30. The reservation of these items is finalised by the Committee represented by the Development Commissioner and Director-General of Supplies and Disposals and the D.G.T.D. This is reviewed from time to time to add more items in the reservation lise keeping in view the capacity to small scale units to manufacture such of those items in bulk with the desired standard. To safeguard the interests of small scale industries, D.G.T.D. and Development Commissioner, SSI keep a watch on the industries reserved exclusively for development in SSI sector and ensure that the large scale units do not

infringe on these items. State Director of Industries and the SISI also encourage the development of these items reserved in small-scale sector by their constant touch with the industries concerned. An upto-date .list of such items reserved so far for SSI section containing 128 items is given at annexure-IV.

3.31 The next step taken by Government—was to safeguard the interest of the products manufactured by SSI and certain items were reserved for purchase exclusively by major purchasing organisations like DGS & D, Railways and other Government Departments. The Development Commissioner of SSI, in consultation with the NSIC and State Directorate of Industries recommends to DGS & D, the various items for purchase from small enterprises from time to time. An up to-date list of Group IV products for 166 items is annexed at V.

3.32 It needs no mention that the defence needs are of sophisticated and strategic importance involving high accuracy and standards of the product. The development of technology in SSI section, has claimed the production of defence needs to the accuracy of critical standards laid down by it and it will not be out place to mention that about 400 items of defence demands have already been identified, and compiled.

3·33 It is hoped that with the efforts of the Government in providing additional testing facilities and adequate marketing assistance, the small-scale sector will become more quality conscious and will be able to get more items reserved for their development.

PART B.--RECOMMENDATIONS.

After studying the role of various organisations set up by the Centre/State, that are assisting small-scale industries in the field of marketing, testing of standards, safeguarding the interests of small-scale industries in reserving certain products for exclusive development in this sector, etc., the Working Group has made the following suggestions within the scope for their study:—

I. MARKETING :

(*a*) In view of the growing competition of products from the large-scale and medium-scale industries many of whom have advanced technology and modernisation, sometimes the small-scale industries find it hard to compete with large-scale industries effectively in government purchase programmes. The Government, have however protected the interest of the small-scale industries by according a price preference for goods offered by small-scale industries. Sometimes it is seen that some of the government purchasing organisations who run on commercial basis are unable to purchase the products from the small-scale industries at a higher price. To keep up the spirit of encouragement of small-scale industries by showing a price preference because such a purchase will adversely affect the working of the commercial organisations, it is suggested that in such cases the small-scale industries may be asked to supply the components at the lowest price obtained in the tender and if the lowest offer is from a large-scale industry, the tenders, may approach the Government for subsidising the loss up to a maximum of 15 per cent after the completion of the supply.

(*b*) Small-scale Industries have some arrangements through S.I.S.I. and N.S.I.C of follow up the tender advertisements of D.G.S. and D. and satisfy the prescribed procedure of participate in the tenders from time to time. In addition the State Small Industries Development Corporation may also come forward to assist the small-scale industries in this direction and publish periodical bulletins to draw the attention of competent units to avail the offer.

(*c*) List of certain common products produced by different S.S.I. units within the State which come up to I.S.I. standards comparable to that of large-scale products could be drawn up and a common brand name given by S.S.I. Development Corporation which could be offered to D.G.S. and D., Railways, Defence and other bulk purchasing organisation for entering into rate/running contract.

(*d*) A market research cell for domestic market may be set up by the S.I.D.CO in an organised way and S.S.I. units having suitable capacity to produce these items could be helped with suitable technical advice. The Cell could also be effectively utilised to guide the small-scale sector on designs, specifications as per I.S.I., size, kind or type, etc., which may be reoriented according to market needs in view of the advanced technology from time to time. This cell can also advise the units on minor variations of designs, of specifications on existing production to enable the sales to be boosted up.

(*e*) Apart from exhibitions run jointly by S.I.S.I. and Small Industries Associations, the SIDCO could arrange permanent exhibitions in important Regional centres of industrial concentration to popularise the regional S.S.I. products.

(*f*) Mobile exhibitions could be conducted throughout the State equiped with important small-scale products of the State and orders canvassed for such products. SIDCO or S.S.I. Associations can run these mobile exhibitions charging a small percentage on the value of stores as commission, to meet the establishment charges to man the mobile exhibitions.

(*g*) SIDCO could play a leading role in the marketing of small-scale industries products and could bulk the annual demands of the State Departments and State Undertakings and draw up a list of items that could be manufactured in the S.S.I. sector Depending on the capacity of the units, these items could be off loaded to the competent small-scale units for supply on a running contract basis throughout the year. For this purpose the Corporation may evolve a system of registration maintaining all the essential technical details of the firm leading to the production of the desired item. The supplies to the intending organisations could be watched by SIDCO after placing orders on S.S.I. units, and the entire system could work on a reasonable commission charged by SIDCO.

(*h*) In cases where small-scale units engaged in the manufacture of a particular item could not manufacture the entire components by itself, economically, the S.S.I. Development Corporation can assist in procuring these components from other competent units of the sector thereby it could find market to such units. A part of this service is however rendered by S.I.S.I. through Sub-Contracting Exchange creating a link between Large Scale and Small-scale Industries.

(*i*) There are certain prospective small-scale industries producing items of excellent standards. But for want of facilities and finance they may not be in a position to participate in the leading exhibitions conducted either in the State or in other parts of this country. SIDCO can participate in such exhibitions displaying the products of such units, with the scope of explaining the salient features and technical ability of the firms producing those exhibited products.

II. QUALITY CONTROL :

(*a*) Small-scale industries mostly concentrate on manufacturing of component or of jobbing. Only a handful of S.S.I. units completely manufacture finished products directly marketable and these items have to conform to the I.S.I. standards to find ready market for them. In general, it is found that the charges for initial testing on product-wise basis are found to be exhorbitant. Large-scale units producing similar items have equipped the required testing facilities themselves within their premises. Hence, small-scale industries have to not only seek the help of an outside testing organisation, but also have to pay heavily for the charges. It is suggested that in order to show an incentive and also to sustain the growth of small-scale industries engaged to manufacture of finally finished items, 50 per cent of concession may be shown towards testing. This concession can be extended by laboratories set-up by State or Central organisations. S.I.S.I. and its extension centres have however subsidised the testing charges which are lower than the rates of other laboratories. In cases of private laboratories, it may perhaps be difficult to show such concession. Hence, the small-scale industries which desire to obtain testing facilities through private laboratories, for certain obvious reasons can be considered for payment of subsidy to the extent of 50 per cent of the charges for initial testing of products. This subsidy will be eligible only when the testing is taken up on I.S.I. standards.

(*b*) Similarly, in the case of providing certification marks, the expenses incurred for certain type of product are found to be very heavy not commensurating with the cost of the product. Government may consider subsidising of 50 per cent of this expenditure also subject to the items being manufactured as per the specifications laid by I.S.I.

(*c*) Pre-inspection of the stores, for supply of D.G.S. & D. or Railways, Defence department, etc., are made by the officers of respective department. But in all other cases when inspection is necessary before despatch of the products, small-scale industries lack facilities unless they make such arrangements with D.G.S.& D., after paying the nominal fees. SIDCO may perhaps create a cell for conducting the independent inspections of the items at the factory on requisition. This will also save the small-scale units from the risk of their supplies being rejected at the consuming end.

(*d*) The Government Store Purchase Programmes should insist on supplies as per I.S.I. standards and the price preference for S.S.I. products should be extended only when they conform to I.S.I. specifications.

III. RESERVATIONS :

As already narrated in Part I of this Chapter, 128 items have already been reserved for development in small-scale sector. The Working Group desires that in the context of adding further items to this list, the Governmental norm should be the ability of the industry as a whole (all over the country) to produce quality goods in sufficiently large numbers to meet the country's demand.

The Working Group after carefully going through the various items manufactured by units in S.S.I. sector in Tamil Nadu, decided to recommend the following items for inclusions in the list being reserved for manufacture exclusively by S.S.I. sector, subject to their satisfying the I.S.I. standards.

1. Bentonite, graphite and other materials.
2. Crown corks.
3. All aluminium conductors and A.C.S.R. and stay wires
4. Spade, mummuty, kozhuvu and other agricultural implements and gardening tools.
5. Cost pulleys up to 12″ diametre.
6. Cable terminal, eyelets and washers.
7. Screw drivers.
8. Wire drawing (both ferrous and non-ferrous).
9. Enamelling of non-ferrous wires.
10. T. V. sets.
11. Power-driven hand tillers.
12. Bright bars.

GENERAL :

While reviewing the capacity of small-scale industries, to produce quality components or finished products of comparable standards, it was noted that certain ancillary S.S.I. units engaged in the production of components enjoy higher status of having the ceiling on equipment installation up to Rs. 10 lakhs. The Working Group felt that there is no need for such distinction in the ceiling of capital investment on machinery between a S.S.I. unit and an ancillary unit. In the efforts of promoting the small-scale industries to manufacture items of a desired quality and standard and to produce them in bulk to the possible extent, a common ceiling for all small-scale units inclusive of ancillaries up to Rs. 10 lakhs on machinery installation is recommended.

ANNEXURE I.

STATISTICS OF REGISTERED SMALL-SCALE INDUSTRIES UNITS FROM 1967 TO 1970 DISTRICT-WISE.

District.	Registered up to 1966.	During the years. 1967.	1968.	1969.	1970.	Grand total as on 31-12-1970.	As on 30-6-1971.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Chingleput	892	157	273	455	86	1,863	1,863
Coimbatore	1,000	166	225	273	527	3,191	2,340
Dharmapuri	..	28	17	51	36	132	264
Kanyakumari	143	17	12	16	3	191	191
Madras	2,692	424	675	1,803	642	6,236	6,429
Madurai	769	124	144	231	287	1,555	1,555
Nilgiris	17	5	9	..	25	56	59
North Arcot	494	39	94	147	132	906	1,029
Ramanathapuram	810	107	85	1,145	110	2,257	2,265
Salem	1,461	83	579	180	70	2,373	2,373
South Arcot	342	9	81	205	156	793	890
Thanjavur	502	60	71	707	52	1,392	1,089
Tiruchirappalli	551	74	71	163	178	1,037	1,089
Tirunelveli	758	89	65	151	186	1,249	1,388
Total	10,431	1,382	2,401	5,527	2,490	22,231	23,208

ANNEXURE II.

Points of Discussion in the Meetings held on 20th December 1971, 7th April 1972, 24th April 1972 and 27th May 1972 of the Working Group on "Marketing, Quality Control and Reservation"

20th December 1971.

In order to take stock of the existing facilities for quality control, testing, marketing and also of the performance of the sector in maintaining the items reserved already for development in this sector, it was decided to call for a detailed report from each of the members relating to their organisation, so as to make a further study and proceed with the recommendations.

7th April 1972.

The information regarding testing facilities available to the various organisations in the State, was desired to be summarised and made available to the Members of the Working Group.

The members felt that the initial testing charges for certain finished products through laboratories were found to be very high and beyond the capacity of the average small-scale industries to bear. As an example, it was pointed out that the testing charges for diesel engines amounted to nearly Rs. 6,000. Apart from this, recurring marking fees charged by ISI under certification schemes was also found to be beyond the capacity of the SSI. It was decided to recommend for subsidising 50 per cent of such charges and that with this subsidy the State Government Purchaser should insist the ISI marking of the goods supplied by the contractors. It was also recommended that the price preference should be made applicable only to ISI marked goods and wherever SSI supply goods to the relevant Indian standards, without ISI mark, the price preference should be slightly less than available for ISI marked products.

In the consumer's interest, it was felt that certain legislation for insisting on ISI certification mark for certain products are necessary. But this could not be proceeded with due to some practical difficulties envisaged in the implementation of the provisions of the bill already pending before Parliament. There were discussions suggesting TANSI to undertake marketing of products of other SSI, but it was pointed out by the convenor that TANSI as a commercial concern will not be in a position to undertake this work. It was decided to co-opt representatives from FASII to suggest improvement in the marketing of the products of SSI. It was also decided to co-opt representatives from FASII to give suggestions in the field of reservation.

24th April 1972.

Thiru P. L. Reddy (a partner in the organisation engaged in the marketing of small-scale products) and Thiru T. M. Srinivasan (President of the Industrial Estates Manufacturers Association) were co-opted as members of this working group to assist in marketing and reservation as decided in the last meeting. The Working Group decided to adopt a norm for selecting industries for reservation and decided that even though an industry is not able to produce quality products in sufficiently large quantities to meet the All India demands, some products which are manufactured in large quantities in Tamil Nadu should be considered for recommendation to the Development Commissioner.

It was agreed that the Tamil Nadu Small Industries Development Corporation Limited, should take over the function of marketing of the products of the SSI and one of the members was requested to prepare a note containing guidelines and suggestions that should be followed by SIDCO in this regard.

27TH MAY 1972.

The function of the SSI with regard to the ceiling of the capital equipment namely, Rs. 7·5 lakhs for SSI and Rs. 10 lakhs for ancillaries was discussed and felt that there should be no distinction between the ceiling of SSI and ancillary units. All SSI unit should have a ceiling of Rs. 10 lakhs for both these groups. Out of the elaborate list of various products suggested by Thiru T. M. Srinivasan, 12 items were identified for recommendation for reservation and exclusive development in small scale sector.

It was decided to draft the final report of the Working Group with the points discussed in the three meetings.

ANNEXURE III.

PREFERENTIAL TREATMENT IN GOVERNMENT PURCHASES.

1	Assam	Price preference up to 15 per cent is allowed for the products of local, small and cottage industries.
2	Bihar	In all the State purchases preferences will be given to products of industries located in Bihar.
3	Andhra Pradesh ..	....
4	Gujarat	....
5	Haryana	Additional marginal preference of 2½ per cent will be allowed in rates of products of industries set up in 'growth points' over industries in other areas of the State.
6	Himachal Pradesh ..	All the Government purchases are made from the loca industries.
7	Kerala	....
8	Madhya Pradesh ..	....
9	Maharashtra	33 per cent of the Government purchases through Central Stores Purchasing Organisation at the lowest tendered price in the open competitive tender is reserved for new industries.
10	Mysore	33 per cent of the State purchases through States Purchase Department at the lowest price tendered in the open market is reserved for new industries.

11	Orissa	Price preference of 15 per cent is allowed for many products of small-scale industries in the State.
12	Punjab	Price preference of 15 per cent is allowed for small industries. For industries in 'focal points' an additional price preference of 2½ per cent for a period of 10 years is allowed.
13	Rajasthan	....
14	Uttar Pradesh	Small-scale units can get registered with NSIC in order to be kept informed of the tenders of the D.G.S. & D.
15	Tamil Nadu	....

ANNEXURE IV.

List of Industries Reserved Exclusively for Development in the Small-Scale Sector.

1 Absorbent cotton.

2 Automobile radiators (except for expansion on merits).

3 Barbed wire.

4 Beam scale.

5 Bicromates (except for exports).

6 Bolts and nuts (except high tensile and other special type).

7 Conduit pipes—metallic.

8 Domestic electric appliances and accessories such as electric iron, roasters, heaters, washing machines, etc., other than vacuum cleaners, industrial washing and dry cleaning machines.

9 Dyes—(i) Azo dyes (Directs and Acids) and

(ii) Basic dyes.

10 (*a*) Electrical Wiring accessories.

(*b*) Electrical light fittings (such as chokes, starters, reflectors, etc.).

11 Expanded metal.

12 Fire works.

13 Formulated perfumery compounds.

14 Full P.V.C. footwear (chappals, sandals and shoes), except for export by predominantly export-oriented units.)

15 Glass hollow ware by semi-automatic process.

16 Gun metal bushes.

17 Hand numbering machines.

18 Hand stapling machines.

19 Hurricane lanterus.

20 Hypodermic needles.

21 Insecticide dusters and sprayers (Manual).

22 Laundry soap.

23 Leather footwear (except for expansion of the existing units for and new units for exports).

24 Machine screws (except for socket head and special types).

25 Machine shop vices.

26 Metal clad switches up to 30 amps.

27 Miniature bulbs—

(a) Miniature vacuum bulbs.
(b) Torch bulbs.
(c) Radio panel bulbs.
(d) Cycle dynamo bulbs and
(e) Decoration bulbs.

28 Paints and Varnishes—dry distempers, red lead, red-oxide, aluminium paints, bitumen paints to IS specifications, wagon blacks, graphite paints all paste paints.

29 Palm rosa oil.

30 Paper conversion products.

31 Pine oil (except for composite schemes).

32 Plaster boards.

33 Plastic processed products :—

(i Bottle caps, buttons, lamp shade, etc., produced by the compression moulding technique.

(ii) Plastic articles manufactured from plastic sheets, rods or tubes by the fabrication technique.

(iii) Polythelene films (films with a thickness of less than 0·10 mm.) and products from the film such as coloured printed film and bags.

(iv) Blow-moulded—containers and other similar products manufactured by the blow-moulding technique (except for captive use, PVC containers and change-over by existing units manufacturing metal containers to plastic containers)

(v) Spectacle frames from sheets by fabrication technique or by injection moulding.

(vi) Manufacture of polyester sheets for buttons and the processing of the sheets so produced to manufacture buttons.

34 Rivets of all types (including bifurcated).

35 Rolling shutters.

36 Roofing, flooring and glazed tiles (except plastic and ceramic tiles of sizes 4″×4″ and above).

37 Safety matches.

38 Steel wool.

39 Student's microscopes.

40 Surgical gloves (except plastic).

41 Telescopic aerials (for radio receivers).

42 Thermometers (up to 150°C).

43 Water meters.

44 Welded wire mesh (except for expansion of existing units).

45 Wire brushes and fibre brushes.

46 Wire products (all wire products such as wire nails, hob nails, panel pins, horse shoe nails).

47 Wood screws.

48 Steel furniture.

49 Cycle tyres and tubes.

50 Mechanical toys.

51 Aluminium utensils.

52 Fountain pens and ball point pens.

53 Electric horns.

54 Hydraulic jacks below 30 tonnes capacity.

55 Tooth paste.

56 Pressure die castings (up to 4 KG.).

57 Drums and barrels (up to 50 litre capacity).

58 Tin containers—unprinted (other than OTS) cans up to 18 litres capacity.

59 Flash light torch cases (plastic).

60 Truck body building (wooden structure).

61 Battery cell tester.

62 Pressure gauges (up to 50 lbs. per sq. inch).

63 Low tension insulators.

64 A.A. & A.C.S.R. Conductors (up to and including 19 strands).

65 Electric transmission line hardware (other than those manufactured in malleable castings).

66 Grease nipples and grease guns.

67 Exhaust mufflers.

68 Zinc oxide.

69 Auto leaf springs.

70 Chaff cutter blades.

71 PVC & VIR wires of domestic type.

72 Metal fittings for garments and leather goods.

73 Weights.

74 Sodium silicate.

Automobile accessories.

75 Fuel tank caps.

76 Fuel lines.

77 Wiring hardness.

78 Tail lamp assembly.

79 Side lamp assembly.

80 Stop assembly.

81 Spot lamp assembly.

82 Horn buttons.

83 Bulb horn.

84 Seats for bus and trucks.

85 Ornamental fittings.

86 Rear view mirrors.

87 Sun shades.

88 Sun visor.

89 Luggage carrier.

90 Tyre inflators (both hand, foot operated).

91 Ash trays.

92 Hub caps.

93 Wind shield wipers (arms and blades only).

94 Electrical fuses.

95 Electrical fuse boxes.

96 Battern cables and fittings.

97 Spokes and nipples.

98 Steering wheels.

Garage Equipment.

99 Armature tester.

100 Battery terminal lifters.

101 Condensors and resistance testers.

102 Fender spoons and hammers.

103 Feeler gauges.

104 Flaring tools.

105 Gear flushers.

106 Puller of all types.

107 Ring expanders.

108 Ring compressors.

109 Screw extractors.

110 Spark plug tester and cleaners.

111 Toe in Gauges.

112 Stud removers (extractors).

113 Tyre valve pullout tools.

114 Tube cutters.

115 Flanging tools.

116 Valve lifters.

117 Valve replacing and resetting tools.

118 Camber testing equipment.

119 Domestic utensils (other than stainless steel).

120 Steel measuring tapes.

121 Cashew shell oil.

122 Room coolers (Desert type).

123 Cotton measuring types.

124 Rubberised cloth.

125 Household knitting machines.

126 Para-dichloro benzene balls.

127 Pottassium silicate.

128 Calcium silicate.

ANNEXURE V.

SMALL INDUSTRIES SERVICE INSTITUTE, MADRAS-32.

Central Government Stores Purchase Programme.

Year.	*Value of orders secured by small-scale units from Railways.*	*Value of orders secured by small-scale units from Defence Establishments.*	*Value of orders secured by small-scale units from other Government Depots.*	*Total value of orders secured by small-scale units, (B+C+D).*
A	B	C	D	E
		(IN RUPEES)		
1961–62	49,56,428	..	40,06,169	89,62,597
1962–63	62,29,882	33,68,813	29,49,236	1,25,47,931
1963–64	67,82,992	33,93,848	25,89,857	1,27,66,697
1964–65	81,43,926	8,51,761	57,97,586	1,47,93,273
1965–66	68,74,968	36,42,052	25,46,152	1,30,63,172
1966–67	44,49,876	5,65,825	38,41,429	88,57,130
1967–68	68,41,359	7,64,487	41,35,201	1,17,41.047
1968–69	41,08,114	15,27,462	1,63,76,356	2,20,11,932
1969–70	99,55,126	24,78,521	58,60,993	1,82,94,642
1970–71	**1,32,39,232**	**37,72,468**	**1,12,07,951**	**2,82,19,651**

Report of the Working Group on
ROLE OF SERICULTURS INDUSTRY

587C-51(6)—28

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FOREWORD

Silk Industry is known to every one of us from the ancient days of Tippu Sultan. The Silk industry is mainly practised in Mysore State and in the former composite Madras State in Kollegal, and Talavadi taluks of Coimbatore district. After the reorganisation of States in 1956, Kollegal taluk with about 22,000 acres mulberry was handed over to Mysore State. Since then, the State Directorate has been striving its best to introduce the industry in new places and develop it in places like Dharmapuri, and Talavadi where this industry was already introduced.

Tamil Nadu can boast of its achievements through the different Plan periods and today the acreage under mulberry has risen by 6,000 acres making the total standing area to about 7,500 acres. The Department has established two Large Scale Silk Farms apart from Chawkie and Demonstration Silk Farms for the benefits of the sericulturists. Cocoon Markets have been started for purchasing cocoon produce of the sericulturists in this area and convert them into raw silk of superior quality in the Silk Reeling Unit located at Hosur. Our present task is to find out the ways and means for developing the industry at a short span of time, in order to meet at least the demands of 20,000 Hand loom Weavers in Tamil Nadu who are engaged in manufacturing of silk fabrics. The estimated quantity of raw silk consumption is about 5 lakh kilogrames at present with the possibilities of increase to 6 lakh kilogrames at the end of Fourth Plan period. The main demand from these handloom weavers are for the 'Cira' silk reeled from charkhas for their weft, which is about 3 lakhs kilogrames while for warp finer variety of raw silk is preferred.

The Working Group has chalked out a phased programme for production of about 3 lakhs kilogrames of raw silk of higher denier for weft purposes. In the formulation of the schemes and the report, every member of the Working Group had their contribution and especially Thiru K. S. Parthasarathy and Thiru S. Thiruvengadam from the Silk Weaving Co-operative Sector have been the main source in furnishing the statistical data regarding the raw silk needs, methods of weaving adopted and such other relevant and important particulars which have been incorporated in this report.

I take this opportunity to place on record, the services rendered and unstinted co-operation extended by the members of the Working Group and sincere thanks to Thiru K. Thirumurthi, who had helped me in drafting the final report of the Working Group. Thiru R. Muthukrishnan, Secretary of Task Force on Small Industries, has been the real link in between the State Planning Commission and the members of the Working Group. He has been taking keen interest in attending all the Working Group meetings. The

service rendered by him as Secretary, has enabled me in bringing up the report to proper shape and form. I thank Thiru N. Mahalingam, Member of the State Planning Commission for having given me an opportunity to serve as the member of this Working Group. He has evinced great interest and guided me and the members of the Working Group by actually taking part in one of the meetings at Kancheepuram, whose valuable suggestions and recommendations have been incorporated in this report.

K. N. VENKATESAN,
Convenor.

CHAPTER I

INTRODUCTION

1·1 The Government of India and the Government of Tamil Nadu, in their efforts to promote the welfare of the people, as well as to achieve a rapid rise in the standard of living, have formulated various Five-Year Plans and Annual Plans. We are now amidst the Fourth Five-Year Plan period.

1.2 In furtherance of these principles and in order to help the Government to implement its policies effectively by sufficient utilisation of the existing resources of men, material and capital, the Government of Tamil Nadu have constituted the State Planning Commission to advice the Government on future plans *vide* G.O. Ms. No. 773, Finance, dated 25th May 1971. The Planning Commission has constituted 15 Task Forces on subject-wise, for Sectoral Profiles on long term planning. One of the Task Forces on the development of Small-Scale Industries, headed by Thiru N. Mahalingam, B.Sc., M.I.E., has also been set-up. In order to guide this Task Force and also to give suitable suggestions on the various problems faced by these small-scale industries in Tamil Nadu, working Groups on problem-wise basis were also formed. One of the Working Groups is dealing with the subject of 'Sericulture' industry, convened by Thiru K. N. Venkatesan, Deputy Director of Industries and Commerce (Sericulture). This Working Group was assisted by the following members :—

1. Thiru S. Thiruvengadam,
   President,
   Arignar Anna Silk Weavers' Society,
   Kancheepuram.

2. Thiru K. S. Parthasarathy,
   President,
   Kancheepuram Kamatchiamman Silk Weavers' Co-operative Society,
   Kancheepuram.

3. Thiru E. Sriram,
   Assistant Secretary,
   Handloom Export Promotion Council,
   Madras-6.

4. Thiru J. Sethuraman,
   Assistant Director,
   Office of the Director of Handlooms and Textiles,
   Madras-1.

5. Thiru H. S. Rama Rao,
   Assistant Secretary,
   Central Silk Board,
   Liaison Office Bangalore,

6. Thiru M. Radhakrishnan,
Assistant Director of Industries and Commerce (Sericulture),
Hosur.

7. Thiru R. Muthukrishnan,
Secretary,
Task Force on Small Industries,
State Planning Commission,
Madras-5.

In order to co-ordinate the activities between various Working Groups, the post of a Secretary, for the Task Force on Small Industries, was created and Thiru R. Muthukrishnan, Deputy Director of Industries and Commerce, looked after this work.

1.3 In addition, the other Technical Officers of the Sericulture branches of the Industries Department, namely Thiru K. Thirumurthy, Deputy Director of Industries in-charge of Research Extension Centre, Coonoor and Thiru K. Rajagopalan, Deputy Director of Industries, in-charge of Talavadi Sericulture Centre also took active part in the deliberatione as Special Invitees and offered thier suggestions for incorporation, in the draft report.

The terms of reference of this Working Group are as follows :—

(*a*) To make an assessment of the material, capital and human-resources of the State including Technical personnel and investigate the possiblity of augmenting such of these resources as are found to be deficient in relation to the State's requirement.

(*b*) Formulating long term plan for the most effective and balanced utilisation of the State's resources.

(*c*) Indicating the factors which are tending to retard the economic development and determine the conditions which in view of current social, economic and political situation should be established for the successful execution of the plan ; and

(*d*) Make such interim or ancillary recommendations as appear to it appropriate either for facilitating the discharge of the duties assigned to it ; or on a consideration of the prevailing economic consideration, current policies, measures of development programme, or an examination of such specific problems as may be referred to it for service by the Government.

With the intention of satisfying these terms of reference, the task of the Working Group was to explore the possibilities to introduce the Sericulture industry in the state in an intensive scale so as to increase the production level of the State to meet the entire need of this sector which most of times, depended on Bangalore market for their needs.

Meetings :

1.4 The first meeting of this Worklng Group was held on 6th December 1971 at the Sericulture Office at Hosur, during which the members were assigned with the task of collecting data and necessary material to the report to prepare a Perspective plan for the next decade.

1.5. The second meeting was held at the Sericulture Farm, Talavadi, on 20th January 1972, during which the reports of certain members were placed, explaining the present difficulties experience by the Raw Silk Consumers and also their proposals to tackle the situation.

1.6. The third meeting was conducted at Kancheepuram, on 16th February 1972 when Thiru N. Mahalingam, B.Sc., M.I.E., Chairman of the Task Force himself took active part in the deliberations. A small exhibition on Sericulture Industry was arranged to explain the salient features of both raw silk production and gut manufacture, so as to educate the local handloom weavers. It was decided during the meeting that it would be the primary function of the Government to come forward to accept in principle and implement the plan to meet the entire demands of Tamil Nadu for raw silk and also to produce silk only for 'weft' instead of 'warp' for the time being. It was also agreed that more design centres as in the pattern of an unit of the All-India Handicrafts Board at Kancheepuram, may be needed for the cause of handloom weavers engaged in silk industry in different parts of Tamil Nadu.

1.7. The convenior also conducted separate Meetings at Kancheepuram, with the president and members of the Handloom Weavers Society and Master Weavers which established a good chinate for better relationship between producers and consumers.

1.8. The Working Group wanted to take advantage of the various Central Government Schemes in promotion of Silk industry particularly of the development of industry in plains as in the case of 'malda' schemes and the Convenor held discussions with the representatives of the Central Silk Board and Handloom Export Promotion Council. One of the foremost considerations found for immediate implementation, was to prevent the flow of 'Cocoons' from Tamil Nadu to another State for the time being in the interest of manufacturing raw silk within the State and to meet atleast a part of the growing demands of silk within the state. This will be possible only when the ryots, get confidence in the profitability of engaging themselves with the Sericulture industry and are effectively trained in the field to take up the reeling work of silks themselves.

1.9. With the suggestions and benefits derived in the above meetings, the Convenor has drafted the report of this Group and it is positive that the Planning Commission will make the best use of this report for future development of the Sericulture industry in Tamil Nadu.

CHAPTER II.

PART A :—ROLE OF SERICULTURE INDUSTRY.

I. SILK INDUSTRY IN INDIA.

2·1. Silk industry is one of the ancient industries in India. Indian silk was prized high amongst the gifts in ancient days and formed one of the commodities for barter deals. Inspite of the industry being old, it got confined to localised spots mostly hilly where labour was cheap, leisure plenty and where climate played the major part in its successful establishment. India occupied the fifth place among the silk producers of the World the first four being Japan, China, U.S.S.R. and South Korea in that order. Japan is finding its internal consumption increasing and is gradualy withdrawing from world market. China is making entry in a big way. With phenomenal speed South Korea has developed the industry and has usurped India of its fourth place. But India has the pride of place to produce all the varieties of silk viz., Mulberry, Eri, Muga and Tassar. The total production of all these varieties is around 22·50 lakh kgs. The export of Indian Silk which was Rs. 35 lakhs in 1958 increased to Rs. 5·5 crores in 1968. In 1969 the export touched an unprecedented level and amounted to Rs. 14·30 crores which earned recognition for silk as an export-oriented industry. The present level of production borders on self-sufficiency and to the extent that export trade picks up, the gap for demand and supply would arise. The industry in the main was practised mostly in Kashmir, West Bengal and Mysore. It is said that the industry spread in Mysore during the time of Tippu Sultan. The spread to Tamil Nadu was only in the areas bordering Mysore and Kollegal. Silk became a catchward amongst the weavers and consumers.

SILK INDUSTRY IN TAMIL NADU.

2·2. In 1956, with the reorganisation of States, Kollegal was merged with Mysore and the State lost 22,000 acres under mulberry. The State was left with 1,500 acres in Hosur Taluk of Dharmapuri District and Talavadi firka in Coimbatore District. It took some time to reorganise the industry to suit the immediate needs and for consolidating the same in the existing places. During the second plan (1956–61), the State sanctioned schemes for such consolidation and for introduction of Sericulture in a few places like Tenkasi and establishment of a reeling unit at Hosur with a total provision of Rs. 2·13 lakhs. The State on its own sanctioned 12 new schemes to develop the sericultural industry with a ceiling of provision of Rs. 12 lakhs. Due to the interest evinced by the Government and propaganda by the staff, the mulberry acreage almost doubled during this Plan period (1,204 hectares). During the III Five-Year Plan (1961–66) schemes for improvement of farms and expansion of the existing units were brought under plan schemes. Additional marketing facilities were also provided. New farms in Krishnagiri, K. V. Kuppam, Kolli Hills and Shencottah were started. Financial assistance was offered to dig 25 wells and for construction of 31 rearing sheds. The plan provision was limited to Rs. 13·00 lakhs, though the expenditure came to Rs. 15·25 lakhs. The mulberry acreage went up by 234 hectares. During the 3 annual plans (1966–67), (1967–68) and (1968–69) 13 schemes envisaged for the Fourth Five-Year Plan to commence for 1966–67 were got sanctioned and work started wherever lands were available. Four farms one each at Hosur, Erumade, Uddanapalli and Geramalam were established.

2·3. Establishment of two large scale Silk Farms is another new feature of the Fourth Five-Year Plan. These are being established in the remote corners of the Dharmapuri district and Talavadi firka at Coimbatore district, affording large scale employment opportunities to the rural folk aiming at the same time expansion of the industry at a quicker pace. A twisting unit with 360 spindles was also sanctioned and has been commissioned during the last quarter of 1968.

2·4. An expenditure of Rs. 75·87 lakhs is envisaged in the Fourth Plan on various sericultural schemes on both spillover and new schemes. The mulberry acreage is expected to register an increase of 1,000 hectares in the private sector and 350 hectares in the public sector by the establishment of large scale Silk Farms. During the first three years of the Fourth Five-Year Plan (1969–70, 1970–71, 1971–72) a sum of Rs. 25 lakhs have been spent on continuation of two large scale silk farms, four Chawkie centres and demonstration of new farms opened during the years and by now nearly $\frac{1}{6}$th of the total seed requirements of sericulturists have been realised through Government Chawkie forms which have boosted the cocoon production per unit area in our State. A Research and Extension Centre at Coonoor has commenced functioning from March 1971 production of suitable combination of silkworm races has also begun. Experimental large scale trials are being conducted to test their efficiency in the sub-centre at Masinagudi.

2·5. Reclamation and planting in the targetted area of 500 acres has been completed in the Large Scale Silk Farm in Kolatti (Dharmapuri district) and has started yielding successful cocoon crops and it is expected to break even by the end of this plan period. The other farm in Madahalli (Talavadi) is half way through in its planting programme. These farms offer employment for nearly 1,000 rural folks in the economically backward areas. A silk testing laboratory is to be established for testing and quality control of the raw silk produced for which machinery is being purchased from Japan. At the end of the III Plan period, Tamil Nadu can boast of their achievement in the expansion of the industry in all its sectors-attaining self-sufficiency in the requirements of local and foreign race cocoons, production of industrial breed seeds, cocoon production pro grammes for reeling into silk, etc.

2.6. Statistical information on present position is given below :—

Area under mulberry	2,950 hectares (7,250 acres).
Seed production	6 lakhs layings.
Cocoon production	2 lakhs kgs.
Silk production	Raw silk 2,000 kgs. cottage basin cora silk 7,000 kgs.

THE FUTURE OF INDIAN SILK INDUSTRY.

2·7. The production of India has reached the stage of self-sufficiency. When there was a gap in production and demand, the deficiency was made up by imports which used to produce a chain reaction if the import was more or less than the estimated gap. This feature has its impact on healthy growth. Having reached self-sufficiency the industry

will have to necessarily look out for exports. The main consumers of raw silk in the World are Japan, Italy, Switzerland, West Germany, U. K, South Korea and the U.S.A. Due to the increase in the domestic consumption of raw silk in Japan, which was the largest supplier of raw silk to World Market, she had to import silk to meet local demand. A void has been created in the World market. South Korea has developed the industry in remarkable way to make a mark as supplier to the World market. The current World Market condition for raw silk offer scope for India to enter the same, provided the quality and cost of our raw silk meets the requirements of the markets. It will be seen that *export orientation* is a must for the future. The boom in 1969 proved the potentiality for export which should be aimed to be sustained by proper planning in production of quality and less costly silk which has naturally to be in areas where sericulture has already been well established. The improvement in quality can only be get by rearing silkworm races which could produce superior cocoons and get them reeled efficiently. It is expected that other States would be planning to increase production in the years to come and therefore a glut is like to ensure if export orientation programmes are not taken up.

2·8. While silk production is to be oriented on export basis, the internal demand for lower grade silk has to be met. In this respect, Tamil Nadu is at an advantage over other states as it has 20,000 handloom weavers using such silk. Due to the nascency of the industry in the state, production of high grade silk straightway is not desirable and possible and therefore to begin with production of charkah silk may be aimed at in the State. The industry has developed in the plains area like Vinnamangalam, Palladam, etc. Though the potentialities, for production are there, because of the hotter climate, production of bivoltine cocoons to the elimination of local races will be difficult. Therefore production of high grade silk will be a tall talk. Taking a realistic view of things, the State has to aim in years to come on production of silk that will cater to the needs of the 20,000 handloom weavers.

2·9. With an estimated annual requirement of 25 kgs. for a loom, the calculated requirement for the handloom weavers of Tamil Nadu will be 5·12 lakh kilograms of raw silk. With anticipated increase in looms, the final requirement can be taken as 6 lakh kilo. On the basis of 4·5 ratio for warp and weft, the requirements for warp and weft will be about 2·6 and 3·3 lakh kilo. respectively. The requirement for warp will be of finer denier, not easily obtainable from charkahs. So, as an ambitious programme, the production of about 3·0 lakh kilo. of raw silk of 20/24 denier for weft purposes can be set as the goal to be reached in the years to come. As pointed out already, over-production may be a result in glut and the finer denier requirements of silk for warp can be expected to be produced from the States with established sericulture where rearing of improved varieties for producing silk with such denier is possible.

2·10. The Plan of Sericulture development will be oriented on this premises. It must however be stated here that the development of the industry will be influenced to a great extent on the policy that will be laid down for the whole of India in general and by the neighbouring Mysore State in particular. For example import-export strategy of the Government of India will influence the cost of silk and consequently of cocoons. The continued production of charka silk in the established Mysore area and the slow

development in production of high grade cocoons/silk will also affect the state. The purchase policy of cocoons or the sale price of silk even at lesses in neighbouring States will also affect the phased development. Proper representation has to be brought in the Central Silk Board to protect the interests of the State.

2·11. Having set a target of 3 lakh kilo. production of silk for weft, the programme has to be oriented on that basis. A flow chart of programme will be as follows :

Production of Silk .. .. 3,00,000 kilos.

12 Kilo. of cocoons will give 1 kilo. of silk. So the quantity of cocoons to be produced will be 36 lakh kg. 100 Dfls. will give on an average of 20 kilo. of cocoons.

2·12. For producing 36 lakhs kilo. cocoons 180 lakh Dfls. will be required. For producing 100 dfls. 400 local cocoons and 300 foreign race cocoons will be required. For producing 180 lakh Dfls. 720 lakhs local cocoons and 540 lakhs foreign cocoons will be required. The production of seed cocoon has to be confined to definite areas, farms and the basic seed requirement organised.

2·13. For producing 36·00 lakh kgs. of cocoons, either 72,000 acres of dry mulberry gardens (at 50 Kilo. per acre) or 24,000 acres or irrigated gardens (at 150 kilo. per acre) will be required. Depending on the areas available or to be to tacked, expansion programme, has to be chalked out, on the possibility (mentioned later) about 25,000 acres of dry and irrigated garden has to be brought under mulberry to meet requirements of silk for weft by the weavers. The phasing has to be made according to export market and gap in internal demand. If an ambitious target of realising 25,000 acres is set in 10 years, an expansion of 2,500 acres per year has to be brought out.

2·14. In this context, the method of expansion so far has to be examined. The pattern has been to start a Demonstration Silk Farm in a place and to encourage ryots later to take up to the industry. The establishment of the farms themselves in ideal situation has been found difficult and time consuming. The spread of the industry in Talavadi/Hosur all these years and the recent spread in lower elevations of Coimbatore District would show the difference. While in Talavadi and Hosur a cautious approach was made, with a Demonstration Farm to begin with, the expansion has been slow. In Coimbatore District a new approach was made without Demonstration Farms as such and involving private persons directly. The expansion has been rapid. If this were to be a pointer, the future expansion which has to be necessarily rapid could be on the pattern of Coimbatore District. The cautious approach in Hosur, Talavadi involves besides time factor, creation of assets and expenditure and departmental agency. With a future which calls for rapid expansion with atleast expenses on departmental agency, a new strategy has to be evolved. Before considering the Agency, the methods of bringing about the expansion has to be thought for.

1. *Expansion of Sericulture in existing areas (higher altitude)*
2. *Introduction of Sericulture in new areas.*

1. *EXPANSION OF SERICULTURE IN EXISTING AREAS :*

Dharmapuri district :—The area under mulberry in Dharmapuri district is 1,860 acres held by 2,100 families. This has been got over the years by offering the following incentives.

1. Free supply of seed cuttings.
2. Supply of Dfls. at nominal cost.
3. Supply of rearing appliances at subsidised cost.
4. Rearing and supply of young worms taken special care of.
5. Grant of loan for sinking irrigation wells and construction of rearing sheds with 50 per cent subsidy to be needed.

For supply of Dfls. a cross breed grainage for production of 10 lakh Dfls was established. Chawkie (Young) worm rearing centre were establsihed at three places.

2·15. An attempt to establish at large scale Silk Farm was made at Kolatti to provide job opportunities to rural folk. About 868 acres of Government lands were taken over and all the cultivable areas were planted. The Farm is providing employment to 750 agricultural labourers.

2·16. Besides attempting to utilise waste lands by Government, a scheme for conditional leasing of Government poramboke lands was also taken up subject to the condition being that 50 per cent of the land would be planted with mulberry for a period of 5 years. An extent of 5,042 acres was leased to benefit 2,119 families. The plantations are being raised in the leased lands.

2·17. The silk production has been increasing from 200 kgs. to 2,000 kgs. in the course of 10 years.

2·18. In the light of experience, it is suggested to make the leasing scheme more effective by offering assignment benefits as soon as the condition of mulberry plantation is fulfilled. Mulberry takes 3 years to establish itself and stands for over 15 years. For such a crop, the offer of lease, lands a doubtful bias which makes investment in improvement a matter of deep consideration. To make up the time lag and expenditure in the initial stages, it is proposed to give financial help at the rate of Rs. 100 per acre.

2. *Introduction of Sericulture in new areas :*

2.19. The first thing to be aimed at is expansion. It is proposed to allow the natural spread of the industry under rainfed conditions in Hosur and Denkanicottah taluks in patta and poramboke lands. Vigorous propaganda for expansion of the industry in new places like Dharmapuri and Krishnagiri will be taken up. As irrigation is a must in these places, aid for irrigation will be afforded for sinking wells or borewells. It is learnt that a total extent of 92,000 acres of ex-estate Zamin lands is available in Hosur, Denkanicottah taluks. If the ambitious target of development of 25,000 acres is to be achieved, at least 25 per cent of these lands will have to be earmarked for mulberry cultivation. These lands can be developed and leased out to agriculturists. For expeditious implementation of this scheme special revenue staff will have to be appointed.

2.20. Hitherto, mulberry expansion was looked after solely by the Sericultural section. As the Officers have more important technical fields where they can be more useful it is suggested to entrust the mulberry expansion to agencies like Block and Rural Develop-

ment staff. Necessary training can be imparted to the extension staff in Block development and they may be entrusted with the task. The Agriculture Department and the Forest Department can also lend a helping hand.

2.21 Free supply of mulberry cuttings, subsidised supply of rearing appliances will be continued.

2.22 A policy decision having been taken to produce charkha silk chiefly, there will be no advantage in having the reeling under public sector. Charkhas are easy for installation and the dispersal of units and the viability at small-unit-level make them being put entirely under private sector. The Government could give such aid for installation of charkhas, formation of small co-operatives and aid in marketing. It will be better for Government in the initial stages to play the role of promotion instead of venturing on commercialisation. When further advances have to be made and time for improvement of quality comes, Government could step in, if necessary.

2.23 Financial implications are separately given in the statement appended.

TALAVADI FIRKA:

2.24 The total area under mulberry is 4,725 acres mostly dry sericulturist-owns about 2 to 3 acres. All concessions offered in Hosur were also extended to sericulturists in Talavadi. A unique scheme of conditional assignment of lands to land less with a condition that 2/5th of extent be brought under mulberry was implemented in 1964. This gave a boost but the full benefit of mulberry expansion could not be achieved as the beneficiaries were mostly non-resident and major lands remain to be resumed for breach of conditions.

An expansion of 25,000 acres is envisaged in these 2 areas.

Existing area—Area of expansion. (10 years period.)

	ACRES		
Hosur	1,860	4,000	(By normal expansion with existing condition, leasing scheme alone being converted into that of assignment).
Talavadi ..	4,725	4,000	(with the scheme of reassigning lands after resumption).

2.25 Since this 8,000 acres of dry lands would account for a production of only 32,000 kilos of silk, the total production with existing acreage would go up to a production of 50,000 kgs. There would still be 2·5 lakh kgs. of silk to be produced. This has to be achieved by tapping ex. Inam forest lands in Hosur and Krishnagiri taluks, by getting irrigated lands in areas adjoining the existing areas and introduction of sericulture in new hills and plain areas. The spread in new areas has to be under irrigated conditions. With

capacity to rear 750 Dfls. an acre under irrigated condition and a production of 15 kgs silk, an extent of 17,000 acres under irrigated condition will have to be brought under mulberry. This would mean getting 1,700 acres per year if the target is to be achieved within the plan period. This cannot be achieved by existing personnel of the Sericulture section. The Agency of Block and Rural Development will have to be tapped for the expansion. Sericulture has already spread to areas in North Arcot District and Coimbatore District. Intensification of efforts in these areas of promise will give immediate realisation. In other adjoining districts wherever new agencies take up allied works, it will have to be availed. For example, in South Arcot, the centrally sponsored scheme of Small Formers' Development Agency is proposed to be drought utilised. The expansion in areas like Kolli Hills, Elagiri, etc., is proposed to be under schemes for uplift of Hill Tribes. To the extent silk fabric manufacturers would organise silk production to meet their requirements encouragement will be given. A separate survey will have to be undertaken for possibilities of introduction in new places. To begin with if an Assistant Director for Sericulture is appointed for each of the District he can collect the statistics and straightaway start selectivein responsive places. A small pilot unit which will take up all aspects of work will be organised to study all aspects right from seasonal condition to silk reeling. This will be the nucleus for future expansion and training ground for prospective entrepreneurs. The increased acreage would call for increased production of eggs. It is proposed to have the entire production in Government hands as microscopic test is involved and quality seeds can be produced. without descending to commercialisation same by Government. There is the expressed desire of the Central Silk Board that all eggs should be tested and legislation should be created to passed production of unexamined seed. Of course, literal provision will have to be made for procuring seed cocoons from areas of faith and for writing off any loss in the sale of eggs due to unforseen circumstances with the overall commitment to sell eggs with no profit no loss basis. To begin with, charkhas may be on individual basis but in due course the producers have to be invited to arrange for co-operative efforts. This would enable the weavers (the consumers') Co-operatives to get their requirements. A new line of approach by weaver's co-operatives arranging for having establishments of Charkha in production areas can also be thought of. When co-operatives are thought of, it goes without taking that training in co-operation has to be arranged in a phased way.

2.26 It will be advisable to leave the idea of having departmental silk weaving for the period as there are enough weavers already and the position is that their requirement are not met.

2.27 There are individual figures of outstanding performances in the Sericulture section. But still technologically, there has not been much improvement. For example study on dry farming has been neglected. As a bulk of the existing area is under dry conditions, improvement could be brought about only by research. A research unit has been estabished in 1971 and it will have to tackle such problems as of practical import, maximising production in a unit area alone being capable of reducing the cost of cocoons (consequent by silk) studies leading to this factory will have to be given priority. Studies also in improvement in the quality of silk is necessary but may be expected to be taken at All-India level. Evolving disease and heat resistant varieties will be another major task that will be tackled in the Research unit.

2.28 Export orientation of handloom fabrics is outside the provision of this scheme. It is expected suitable measures will be taken by Handloom Board or Export Promotion Council to encourage export of Handloom fabrics so as to create the necessary base for larger commitments in years to come as the fashion is something unpredictable. The advances made in man-made fibre may be phenomenal. An important feature is that silk constitutes about 1 per cent of the total textile fibre production important of the World. Even with an increase of 200 per cent in the production of silk in India in the last 40 years, it accounts for only 1/5th of one per cent of the total textile fibre production. With this infinitesimal production, it has covered a place of its own in textiles.

2.29 Besides, promotional role, educational role has also to be taken up. Taking farmers on tour, holding seminars, participation in exhibitions, publicity, dissemination through pamphlets, tour of other States and abroad, etc., has to be taken only as educational.

2.30 The expenditure proposed is huge and there is great responsibility for seeing that the Government fund is spent carefully and usefully. Though there will be Officers at different levels, the need for an officer of the status of Joint Director to take up the responsibilities will be keenly felt. He will have his Office at Madras to assist the Director of Industries and Commerce and must have ministerial assistance. Necessary provision is made.

PART B :—RECOMMENDATIONS.

The Working Group felt that it is necessary to continue the following incentives being already given to new agriculturists who take up to sericulture as their subsidiary occupation:

(1) Free supply of mulberry seed cuttings.

(2) Supply of rearing appliances at subsidised cost to every new cultivator who takes up to silkworm rearing.

(3) Incentives such as issue of loans and subsidies for wells, pumpsets and construction of rearing houses may have to be continued.

As mulberry acreage increases, there may be need for issue of loans to sericulturists for installation of charkas to undertake reeling themselves or under Co-operative Sector.

1. Hitherto it has been claimed that silkworm rearing can be conducted only in places above 2,500 feet level. Now it has been possible to take up to silkworm rearing in lower altitudes, with changing agronomical practices in mulberry cultivation and cropping pattern. On the experience gained so far, it is felt that sericulture can be introduced in the districts of North Arcot, South Arcot, Tirunelveli, Madurai, Salem, Coimbatore where soil conditions are suitable for mulberry cultivation. Silkworm rearing could also be conducted successfully in hutments in the midst of coconut thope, etc. The Small Farmers Development Agency which are recently introduced by the Government of India may also be taken up as a media for introduction of this industry through the small farmers in the State.

2. The Pilot-*cum*-Extension Centres may be opened along with nurseries in each district and to find out the suitable area to be tackled for expansion of the industry.

3. Development of Sericulture may be attempted in the hill areas especially in North Arcot, Salem, Madurai and other districts where the hill tribes can be trained for silkworm rearing so that our needs for the foreign breed components could be met.

4. Though Sericulture is wellknown subsidiary occupation, most of the agriculturists of our State do not really know about the benefits and quick cash returns that they will be getting by taking up to this industry. Hence a programme of sericulture education such as intensive training, publicity through exhibitions, exhibition of films and 'on the spot study' of important sericultural areas (Mysore State) in India should be taken up. This will educate the agriculturists and they will be benefited very much and see that how those engaged in the industry in Mysore State deriving maximum cash returns from this industry.

5. Though we have suggested above for the introduction of sericulture in lower elevations, yet we should have a separate Crash Programme for development of sericulture in Dharmapuri district where there is vast potentialities of increasing production of high grade silk due to the ideal climatic conditions obtained in the district.

6. The Working Group lays emphasis on the need for concerted research work in all the aspects of the industry especially in evolving suitable silkworm races of high yielding potential aiming at reduction of production cost. A 10 per cent allotment on the sericulture budget should be made available for research, as this is a continuous process of evolution of better races, for improvement of the grade of silk and augmenting income of sericulturists who take up to this industry.

Finally, in order to implement all the above important recommendations of the Working Group, there should be proper technical staff to take up the great responsibilities envisaged in the plan for the next 10 year period and also for strengthening of the Directorate.

DETAILED FINANCIAL IMPLICANONS OF THE SCHEMES SUGGESTED. PRO FORMA TO ACCOMPANY EACH SERICULTURAL SCHEME PROPOSED TO BE IMPLEMENTED BY THE STATE GOVERNMENT.

1 Name of the Scheme .. .. .. Free supply of cuttings for propagation.

2 Location .. .. Statewide.

3 Continuation or new .. .. .. Continuation.

4 Nature of the Scheme .. .. .. Developmental.

5 Plan or Non-Plan .. .. .. Plan.

6 Details of the Scheme—

(a) Object of the Scheme .. .. It is proposed to continue the popular scheme of distribution of seed cuttings free to sericulturists as one of the main incentives. It is proposed to purchase a lorry. This is to corry the mulberry for cultivation

(*b*) How far this scheme, if implemented, will improve the particular sector of the industry. — This will give the necessary fillip for plantation and help the sericulturists.

(*c*) The area and the number of the sericulturists who will be benefited by the execution of the scheme. — 2,500 acres per year. 2,100 sericulturists.

7 Financial implications—

(*a*) Amount for which technical approval has been accorded—

Year.	*Recurring.*	*Non-recurring.*	*Loan.*	*Total.*
(1)	(2)	(3)	(4)	(5)
	RS.	RS.	RS.	RS.
1971–72	35,000	..	..	35,000
1972–73	35,000	..	..	35,000
For next 10 years—				
I year		3,75,000	50,000	4,25,000
II year		3,75,000	for Lorry.	3,75,000

(*b*) Expenditure incurred out of sanctioned funds—

1971–72		40,000		40,000
1972–73		42,000		42,000

8 Whether construction of building is involved in the scheme. — ...

9 Whether any foreign exchange is involved. — ...

10 Personnel requirement and employment potential—whether required number of trained personnel is available for implementation of the scheme, if not indicate how the trained personnel proposed to be recruited. — ..

11 Progress so far made in the implementation of the scheme with reference to physical target (to be furnished in case of continuation scheme). — There was no expansion.

ABSTRACT.

Non-Recurring charges—Rs. 50,000 (I year). Nil from II year.

Recurring charges—Rs. 4·00 lakhs (I year)—Rs. 4·02 lakhs from II year.

WORKING DATA—

Cost of cuttings—Rs. 3·75 lakhs.

	RS.
Pay of one Driver—Rs. 160—5—240	2,300
Pay of one Cleaner —Rs. 130—3—160—4—180	1,900
Recurring expenses for the movement and maintenance of lorry	20,000
	24,200
Cost of cuttings ..	3,75,000
Total ..	3,99,200

PRO FORMA TO ACCOMPANY EACH SERICULTURAL SCHEME PROPOSED TO BE IMPLEMENTED BY THE STATE GOVERNMENT.

1 Name of the scheme	Supply of rearing appliances.
2 Location	Statewide.
3 Continuation or new	Continuation.
4 Nature of the scheme	Developmental.
5 Plan or Non-Plan	Plan.
6 Details of the scheme—	
(*a*) Object of the scheme	Every cultivator who will have to be necessarily a rearer, has to equip himself with rearing appliances worth Rs. 150 per set.
(*b*) How far this scheme, if implemented will improve the particular sector of the industry.	The appliances will have to be given at a subsidised cost, 50 per cent of the cost being recovered in three easy instalments. It will enable sericulturists to be self-sufficient in the matter of equipments.
(*c*) The area and the number of the sericulturists who will be benefited by the execution of the scheme.	2,100 sericulturists.
(*d*) Physical target of the year and also at the end of the Plan period.	Supply of 2,100 sets of rearing appliances every year.

7 **Financial implications—**

(*a*) Amount for which technical approval has been accorded—

Year.	*Recurring.*	*Non-recurring.*	*Loan.*	*Total.*
(1)	(2)	(3)	(4)	(5)
	RS.			RS.
1971–72	25,000	..	..	25,000
1972–73 ..	25,000	..	..	25,000
1973 onwards for 10 years Rs. 3·15 lakhs		..	..	3,15,000

(*b*) Expenditure incurred out of sanctioned funds—

1971–72	25,000	..	..	25,000
1972–73	25,000	..	..	25,000

8 Whether construction of building is involved in the scheme. ....

9 Whether any foreign exchange is involved. ....

10 Personnel requirement and employment potential whether required number of personnel is available for implementation of the scheme, if not indicate how the trained personnel to be recruited. ....

11 Progress so far made in the implementation of the scheme with reference to physical targets (to be furnished in case of continuation scheme). Every year 250 sericulturists are equipping themselves.

ABSTRACT.

Non- recurring charges..	....
Recurring charges	Rs. 3,15,000 per year.
Loan	....
Total	Rs. 3,15,000 per year.

PRO FORMA TO ACCOMPANY EACH SERICULTURAL SCHEME IMPLEMENTED.

1 Name of the scheme	Loan-*cum*-subsidy for wells and sheds, charkhas.
2 Location	Statewide.
3 Continuation or new	Continuation but as far as charkhas concerned a new scheme.
4 Nature of the scheme	Developmental.
5 Plan or Non-Plan	Plan.
6 Details of the scheme—	
(*a*) Object of the scheme	It is proposed to continue to give aid for digging of wells, installation of pumpsets, construction of rearing houses. The aid is proposed to be extended to hotter zones where thatched sheds provide the necessary conditions for rearing worms.
	(2) For leased dry gardens during the first year in the establishment of the garden with a subsidy not more than Rs. 100 per acre. For charkhas it is proposed to give aid for equipping up to 50 per cent of cost.
(*b*) How for this scheme, if implemented will improve the particular sector of the industry.	Charkha reeling will be dispersed which will in marketing of cocoons.
(*c*) The area and the number of the sericulturists who will be benefited by the execution of the scheme.	50 people. The entire new enterpreneurs will have the benefit of ready market.
(*d*) Physical target of the year and also at the end of the plan period.	Establishment of 50 units of Charkha at 2 per unit. The number of wells, sheds, etc. will depend upon the response. Only, a token provision is made.
7 Financial implications—	
(*a*)	
(*b*)	
(*c*)	
8 Whether construction of building is involved in the scheme.	Yes. But the sheds will be of cheap, village-type building not requiring much skill-cement, etc.
9 Whether foreign exchange is involved.	No

10 Physical requirement and employment potential whether required number of trained personnel is available for implementation of the scheme if not indicate how the trained personnel proposed to be recruited.	200 additional people will be employed every year.
11 Progress so far made in the implementation of the scheme with reference to physical targets (to be furnished in case of continuation scheme).	....

ABSTRACT.

Non-Recurring charges—

Recurring charges—Grant Rs. 50,000 every year.

Loan—Rs. 50,000 every year.

Total—Rs. 1,00,000 every year.

PRO FORMA TO ACCOMPANY EACH SERICULTURAL SCHEME TO BE IMPLEMENTED BY THE STATE GOVERNMENT.

1 Name of the scheme	Development of Sericulture in Dharmapuri District.
2 Location	Dharmapuri district.
3 Continuation or new	New.
4 Nature of the scheme	Developmental.
5 Plan or Non-Plan	Plan.
6 Details of the scheme—	
(a) Obeject of the scheme	There are 16 Community Development Blocks in Dharmapuri district. It is proposed to have an Extension Officer (sericulture). It is proposed to get 30 per cent of ex-Inam forest lands in Hosur, Denkanikcottah and Krishnagiri transferred. The scheme will be implemented by a Revenue Divisional Officer and other Revenue staff as they will be helpful to process the transfer expeditiously. Reclamation and planting will have to be done by the individuals, the usual help for cuttings, etc., being extended in other schems. No provision is therefore made for such aids.

(*b*) How far this scheme if implemented will improve the particular sector of the industry.	....
(*c*) Physical target of the year and also at the end of the plan period.	....
7 Financial implications—	
(*a*)	....
(*b*)	....
(*c*)	....
8 Whether construction of building is involved in the scheme.	No.
9 Whether any foreign exchange is involved.	No.
10 Personnel requirement and employment potential whether required number of trained personnel is available for implementation of the scheme if not indicate how the trained personnel proposed to be recurited.	Can be met from the services and by recuritment after training.
11 Progress so far made in the implementation of the scheme with reference to physical targets (to be furnished in case of continuation scheme).	

ABSTRACT.

	(RUPEES IN LAKHS.)
Non-recurring—	
Cost of one bulldozer, 2 tractor and one lorry, and 7 jeeps	4·00
Cost of bore-well machinery	5·00
Total ..	9·00

	RS.
Recurring Charges—	
1 District Revenue Officer on Rs. 800—1,250	12,000
1 Tahsildar on Rs. 425—700	7,000
5 Deputy Tahsildars on Rs. 350—600	30,000
2 Assistants on Rs. 250—10—400	8,400
1 Cashier Accountant on Rs. 250—10—400	4,200
8 Peons on Rs. 130—195	16,800
(The revenue staff for the period of first five years only)	78,400

	RS.
Brought forward	78,400
Technical—	
One Deputy Director (Sericulture) on Rs. 800—1,250	10,200
3 Assistant Directors (Sericulture) on Rs. 550—950	27,000
8 Extension Officers (Sericulture) on Rs. 425—700	56,000
5 Inspectors on Rs. 325—650 each	21,500
80 Gramasevaks at 10 for each block on Rs. 200—300	68,800
Pay of 4 drivers Rs. 160—5—240 .. .. } Pay of 5 Jeep Drivers on Rs. 150—225 .. .. }	20,700
160 skilled workers for attendeing planting and silkworm rearing at 20 Nos. per each block in consolidated pay of Rs. 120 each.	2,30,400
	5,13,000
Ministerial Staff—	
1 Office Manager on Rs. 350—650	6,000
5 Cashier Accountants on Rs. 250—400 one each for one Assistant Director's Office.	21,000
6 Assistants on Rs. 250—10—400	25,000
7 Junior Assistants on Rs. 200—300, two for Rvenue District Officer and five of each of Assistant Directors Office.	23,500
12 peons on Rs. 130—195	25,200
1 Assistant Agricultural Engineer for 5 sets for boaring machineries on Rs. 575—950.	7,000
5 Mechanics on Rs. 160—5—240	12,500
5 Drilling Operators on Rs. 160—5—240	12,500
	1,32,700

Contingencies—

Office rent for six offices, one for Special Officer and five for Assistant Director (Seri) at Rs. 125 each.	9,000 }	
Contingent expenditure on maintenance of five sets of boring machinery at Rs. 20,000 per unit for five units.	1,00,000 }	1,59,000
Maintenance of one bulldozer, two tractors and one lorry at Rs. 50,000 per year.	50,000 }	
		8,04,700
		Rs. 8·05 lakhs.

PRO FORMA TO ACCOMPANY EACH SERICULTURAL SCHEME PROPOSED TO BE IMPLEMENTED BY THE STATE GOVERNMENT.

1 Name of the scheme	Introduction of Sericulture in North Arcot district.
2 Location	North Arcot district.
3 Continuation or new	New.
4 Nature of the scheme	Developmental.
5 Plan or Non-plan	Plan.
6 Details of the scheme—	
(a) Object of the scheme	It is proposed to lease Government lands if lands become available. (Spot has been chosen). 300—400 acres will be brought under mulberry in three years time. In view of the importance, it is proposed to have an Assistant Director for development in this area and in North Arcot district including development in Elagiri, and Javadi hills. Departmental concession will be extended.
(b) How far this scheme if implemented will improve the particular sector of the industry.	New areas would be tapped.
(c) The area and the number of the Sericulturists who will be benefited by the execution of the Scheme.	200—300 agriculturists.
(d) Physical target of the year and also at the end of the plan period.	300—400 acres of mulberry plantation.
7 Financial implications—	
(a)	....
(b)	....
(c)	....
8 Whether construction of building is involved in the scheme.	No
9 Whether any foreign exchange is involved.	No

10 Personnel requirement and employment potential whether required number of trained personnel is available for implementation of the scheme, if not indicate how the trained personnel proposed to be recruited.	Departmental staff will be available for supervisory posts. 625 educated youths will be given training and absorbed.
11 Progress so far made in the implementation of the scheme with reference to physical targets (to be furnished in case of continuation scheme).	....

ABSTRACT.

Non-recurring charges	Rs. 30,000 (cost of jeep).
Recurring charges	Rs. 55,300 (Rs. 20,100 from second year).

PRO FORMA TO ACCOMPANY EACH SERICULTURAL SCHEME PROPOSED TO BE IMPLEMENTED BY THE STATE GOVERNMENT.

1 Name of the scheme	Introduction of Sericulture through Small Farmers' Development Agency.
2 Location	South Arcot district (and later in other districts where such schemes are taken up by the Centre.)
3 Continuation or new	New.
4 Nature of the scheme	Developmental.
5 Plan or Non-plan	Plan.
6 Details of the scheme—	
(a) Object of the scheme	Sericulture will be taken up in selected villages. Educated youths will be given training and posted to assist in rearing. Those who take up will be acquainted with the industry in other places by educational tour. All cocoons produced will be purchased or charkhas installed when situation warrants. Departmental concession will be extended. Loans will be given to cover the initial expenses. The scheme will be implemented by an Inspector of Sericulture.

(*b*) How far this scheme if implemented will improve the particular sector of the industry.	120 agriculturists will take to sericulture in each of the areas.
(*c*) The area and the number of the sericulturists who will be benefited by the execution of the scheme.	60 acres of mulberry cultivation by 120 sericulturists.
(*d*) Physical target of the year and also at the end of the Plan period.	Taking to sericulture by 120 people.
7 Financial implications—	
(*a*)	....
(*b*)	....
(*c*)	....
8 Whether construction of building is involved in the scheme.	No
9 Whether any foreign exchange is involved.	No
10 Personnel requirement and employment potential whether required number of trained personnel is available for implementation of the scheme, if not indicate how the trained personnel to be recruited.	One Inspector. It is proposed to draw educated youths from the villages and train them.
11 Progress so far made in the implementation of the scheme with reference to physical targets (to be furnished in case of continuation scheme).	....

ABSTRACT.

	I Year.	II Year.
Non-recurring expenditure	22,600	..
Recurring expenditure	15,800	16,000
Loan	60,000	..

PRO FORMA TO ACCOMPANY EACH SERICULTURAL SCHEME PROPOSED TO BE IMPLEMENTED BY THE STATE GOVERNMENT.

1 Name of the Scheme	Sericultural Pilot Centres in Coimbatore and other districts.
2 Location	Statewide.
3 Continuation or new	New.
4 Nature of the Scheme	Developmental.
5 Plan or Non-plan	Plan.
6 Details of the scheme—	
(*a*) Object of the scheme	When sericulture starts in a place, a centre as nucleus centre will be required to arrange for supply of cuttings appliances, silkworm seed till such time as these materials are generated in the area itself. Cocoons produced will have to be arranged to be reeled, initiating the people of the area for more sustaining power in market besides getting the maximum for their produce. In the initial stages, chawkie worm rearing can be given.
(*b*) How far this scheme if implemented will improve the particular sector of the industry.	To the uninitiated the scheme will give the buoyancy.
(*c*) The area and the number of the sericulturists who will be benefited by the execution of the scheme.	Number will vary with the needs.
(*d*) Physical target of the year and also at the end of the Plan period.	Establishment of as may be required.
7 Financial implications—	
(*a*)	....
(*b*)	....
(*c*)	....
8 Whether construction of building is involved in the scheme.	No.
9 Whether any foreign exchange is involved.	No.

10 Personnel requirement and employment potential whether required number of personnel is available for implementation of the scheme, if not indicate how the trained personnel proposed to be recruited.	Local youths and ryots will be trained.
11 Progress so far made in the implementation of the scheme with reference to physical targets (to be furnished in case of contiuation scheme).	

ABSTRACT.

Non-recurring charges	Rs. 7,000
Recurring charges	Rs. 8,000 (cost of cocoons that will be handled is not included as this will be recovered by sale of silk).

WORKING DATA.

	Rs.
Inspector of Sericulture Rs. 325—650 ..	4,600
Lease of garden Rs. 1,000 per acre ..	1,000
Contingent labourer at Rs. 200 p.m.	2,400
	8,000
Equipments—Rs. 2,000 and Rearing and reeling shed—Rs. 5.000 ..	7,000

PRO FORMA TO ACCOMPANY EACH SERICULTURAL SCHEME IMPLEMENTED BY THE STATE GOVERNMENT.

1 Name of the scheme	Development of Sericulture in Hill areas.
2 Location	Hill areas in North Arcot, Salem, etc.,
3 Continuation or new	New.
4 Nature of the scheme	Developmental.
5 Plan or Non-Plan	Plan.

6 **Details of the scheme—**

(a) Object of the scheme.	There are hill areas especially in North Arcot and Salem where Sericulture can by introduced and developed. The pattern of development will be to take tribal boys and train them and get mulberry planted with incentives for mulberry cultivation with subsidy at Rs. 150 per acre in stages and giving aid for construction of sheds. Silkworm eggs also will be supplied free of cost for a period of two years.
	Hill areas will not be easily accessible. An Inspector of Sericulture will be posted assisted by Practical Sericulturists.
(b) How far this scheme if implemented, will improve the particular sector of the industry.	100 acres can be brought in 5 to 10 years in each hilly area. The progress could not be expected to be fast in hilly areas where agricultural labour is normally averse to exacting labour. But a break has to be made.
(c) The area and the number of sericulturists who will be benefited by the execution of the scheme.	100 acres in 5 to 10 years.
(d) Physical target of the year and also at the end of the Plan period.	

7 Financial implications—

(a) Amount for which technical approval has been accorded.	
1971–72	....
1972–73	....
(b) Expenditure incurred out of sanctioned funds.	
1971–72	....
1972–73	..
(c) Estimate cost of implementation of the scheme.	....
8 Whether construction of building is involved in the scheme.	Yes. But they will be mere cheap sheds.

9 Whether any foreign exchange is involved.	
10 Personnel requirement and employment potential whether required number of trained personnel is available—for implementation of the scheme if not indicate how the trained personnel proposed to be recruited.	Five hill tribe people will be absorbed departmentally with 100 people engaged in the industry. Necessary training will be given to Hill Tribe youths.
11 Progress so far made in the implementation of the scheme with reference to physical targets (to be furnished in case of continuance scheme).	....

ABSTRACT.

Non-recurring charges	Rs. 68,600 for each area.
Recurring charges	Rs. 14,100 for each area.
Loan	....
Total	....

		RS.	RS.
Training Boys 10 × Months. 6 × Stipend. 60		3,600	
Subsidy RS. 150 per acre × 100		15,000	
Subsidy RS. 500 × 100		50,000	
(Free distribution of cuttings, appliances and eggs)			
		68,600	
Pay of an Inspector of Sericulture (Rs.325—650)			4,600
Pay of five Practical Sericulturists (to be paid from contingencies).			9,500
			14,100

PRO FORMA TO ACCOMPANY EACH SERICULTURAL SCHEME TO BE IMPLEMENTED BY THE STATE GOVERNMENT.

1 Name of the Scheme	Production of Cross Breed Dfls.
2 Location	In established areas like Hosur, Talavadi.
3 Continuation or new	New.
4 Nature of the Scheme	Developmental (No-profit-no loss basis).
5 Plan or Non-Plan	Plan.

6 Details of the Scheme—

(*a*) Object of the Scheme	Layings production will have to be in Government hands for the sake of quality. It has been the expressed desire of the Central Silk Board that production will have to be controlled and legislation enacted to prevent distribution of unexamined seeds. There is already an Act in this State. As commercial exploitation of this sector, will be detrimental to sericulturists, it is proposed to have the production in Government lands, by placing disease free quality seeds success of crops is ensured.
(*b*) How far this scheme if implemented will improve the particular sector of the industry.	....
(*c*) The area and the number of the sericulturists who will be benefited by the execution of the Scheme.	Entire area and sericulturists in the State.
(*d*) Physical target of the year and also at the end of the Plan period.	7 lakh Dfls in the first year with 14·75 lakh Dfls. increase every year. It is proposed to have every year a grainage located in midst of needy areas.

7 Financial implications—

(*a*)	....
(*b*)	....
(*c*)	....

8 Whether construction of building is involved in the Scheme.	Yes.
9 Whether any foreign exchange is involved.	No
10 Personnel requirement and employment potential whether required number of trained personnel is available for implementation of the scheme, if not indicate how the trained personnel proposed to be recruited	....

11 Progress so far made in the implementation of the scheme with reference to physical targets (to be furnished in case of continuation scheme.) .. ....

ABSTRACT.

Non-Recurring charges	Equipment Rs. 20,000.
Recurring charges—Net Rs. 28,400. ..	(Cost of cocoons, and incidential charges will be recovered by sales and hence it is not included. But for budgetary position this may be taken).
Lan	Every year additional amount of Rs. 28,400 will be incurred with opening of a grainage every year.
Total	Rs. 28,400.

Pattern of organisation of a grainage :—

14 lakh Dfls.

56 lakhs local cocoons and 42 lakhs Foreign cocoon.

Rent of building (will be recoverable).

1 Inspector of Sericulture—Rs. 4,600.

10 Demonstrators 21,000.

1 Junior Inspector of Sericulture 2,800.

Cost of chemicals, paper etc., (Will be recoverable).

Total Rs. .. 28,400 (Net cost).

PRO FORMA TO ACCOMPANY EACH SERICULTURAL SCHEME TO BE IMPLEMENTED BY THE STATE GOVERNMENT.

1 Name of the scheme	Research Extension Scheme.
2 Location	Coonoor.
3 Continuation or new	Continuation.
4 Nature of the Scheme	Developmental.
5 Plan or Non-Plan	Plan.

6 Details of the scheme —

(*a*) Object of the scheme ..	Research Extension Centre has been established in 1971 at Coonoor. In order to continously evolve new combination suited to different areas and for dry gardens in particular, the centre will have to be continued permanently. As new areas were taken up to sericulture, new problems may crop up which will have to be tackled in the centre.
(*b*) How far this scheme, if implemented will improve the particular sector of the industry.	....
(*c*) The area and the number of the sericulturists who will be benefited by the execution of the scheme.	Statewide.
(*d*) Physical target of the year and also at the end of the Plan period.	No physical targets can be given.

7 Financial implications.

Amount for which technical approval has been accorded—

(*a*)

(*b*)

(*c*)

8 Whether construction of building is involved in the scheme.	No.
9 Whether any foreign exchange is involved.	No.
10 Physical requirement and employment potential whether required number of trained personnel is available for implementation of the scheme, if not, indicate how the trained personnel proposed to be recruited.	Available.
11 Progress so far made in the implemention of the scheme with reference to physical targets (to be furnished in case of continuation scheme).	8 races have been evolved and 2 bivoltine crosses are under trials. It will be too early to say on the merits of the races.

ABSTRACT.

Non-Recurring charges—

For new equipments	Rs. 50,000.

Recurring charges—

On pay contingencies existing staff and garden.	Rs. 1,00,000.

PRO FORMA TO ACCOMPANY EACH SERICULTURAL SCHEME TO BE IMPLEMENTED BY THE STATE GOVERNMENT.

1 Name of the scheme	Strengthening of the State Directorate.
2 Location	Madras.
3 Continuation or new	New.
4 Nature of the scheme	Developmental.
5 Plan or Non-Plan	Plan.
6 Details of the scheme—	—
(*a*) Object of the scheme	To look after the technical aspect of the scheme and be responsible for the large scale expansion envisaged. It is proposed to have a Joint Director with office at Madras and Ministrial assistance comprising of one Steno., one Assistant, one Junior Assistant and two Peons.
(*b*) How far this scheme if implemented will improve the particular sector of the industry.	Effective co-ordination will be maintained
(*c*) The area and the number of Sericulturists who will be benefited by the execution of the scheme.	Entire State.
(*d*) Physical target of the year and also at the end of the Plan period.	(Appointment of a Joint Director.)
7 Financial implications—	
(*a*)	—
(*b*)	—
(*c*)	—
8 Whether construction of building is involved in the scheme.	No.
9 Whether any foreign exchange is involved.	No.
10 Personnel requirement and employment potential whether required number of trained personnel is available for implementation of the scheme, if not indicate how the trained personnel proposed to be recruited.	Available.

11 Progress so far made in the implementation of the scheme with reference to physical targets (to be furnished in case of continuation scheme). .. ..

ABSTRACT.

Non-Recurring charges	Rs. 7,000.	
Recurring charges	Rs. 33,300 every year.	
Loan	..	
Non-Recurring Furniture, Typewriter ..	Rs. 7,000.	RS.
Recurring: One Joint Director Rs. 1,300—50—1,600		18,200
One Steno Typist Rs. 200—5—250—10—300 plus Spl. Pay ..		3,100
One Assistant		3,400
One Jr. Assistant Rs. 200—5—250—10—300		2,800
Two Peons Rs. 130—3—160—4—180—5—195		3,800
Travelling Allowances		3,000
		33,300

PRO FORMA TO ACCOMPANY EACH SERICULTURAL SCHEME IMPLEMENTED BY THE STATE GOVERNMENT.

1 Name of the scheme .. .. Sericultural Education.

2 Location .. .. Statewide.

3 Continuation or new .. .. .. New.

4 Nature of the scheme .. .. .. Developmental.

5 Plan or Non-Plan .. .. .. Plan.

6 Details of the scheme .. .. ..

(*a*) Object of the scheme .. .. The public need to be educated on the industry. This can be achieved by participation in exhibition, by publicity, exhibition of films, etc. Sericulturists will have to be taken on tours to sericulturists progressive areas. Officers can equip themselves of latest developments in major sericulture States by tours and in foreign countries by deputation. To meet the requirement of personnel at higher levels, graduates can be taken and sent to All-India Sericultural Training Institute For lower level training can be afforded in important centres like Hosur.

(*b*) How far this scheme if implemented, will improve the particular sector of the industry.	....
(*c*) The area and the number of the sericulturists who will be benefited by the execution of the scheme.	....
(*d*) Physical target of the year and also at the end of the Plan period.	.. ..
7 Financial implications—	
(*a*)	——
(*b*)	——
(*c*)	——
8 Whether construction of building is involved in the scheme.	No.
9 Whether any foreign exchange is involved.	For deputation outside India foreign exchange will be required. It will be enough if one Officer once in 5 years is deputed. The foreign exchange requirements may come to equivalent of Rs. 20,000.
10 Personnel requirements and employment potential whether required number of trained personnel is available for implementation of the scheme, if not indicate how the trained personnel proposed to be required.	....
11 Progress so far made in the implementation of the scheme with reference to physical targets (to be furnished in case of continuation scheme)	——

ABSTRACT.

Non-Recurring charges	Rs. 1·10 lakhs.
Recurring charges	——
Loan	——

Non-Recurring charges—

	RS.
Book, publication and dissemination of knowledge by phamplets	10,000
Publicity through films, exhibition	20,000
Kisan tour	5,000
Inter-State study tour	20,000
Sericultural education in Schools in the District	25,000
Training in Co-operatives	2,000
Total ..	82,000
Deputation of one Officer abroad once in 5 years	30,000
	1,12,000 or
Total ..	1·10 lakhs.

STATEMENT SHOWING THE FINANCIAL COMMITMENTS FOR FIRST FIVE-YEAR PERIOD.

(RS. IN LAKHS.)

Name of the Scheme.	*N.R.*	*R.*	*L.*	*N.R.*	*R.*	*L.*	*N.R.*	*R.*	*L.*	*N.R.*	*R.*	*L.*	*N.R.*	*R.*	*L.*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1 Free supply of cuttings, etc ..	0·50	4·00	..	..	4·02	..	..	4·04	..	..	4·06	..	..	4·08	..
2 Supply of Rearing appliances ..	..	3·15	..	..	3·15	..	..	3·15	..	..	3·15	..	..	3·15	
3 Loan and subsidy	..	0·50	0·50	..	0·50	0·50	..	0·50	0·50	..	0·50	0·50	..	0·50	0·50
4 Development of Sericulture in Dharmapuri district.	9·00	9·05	..	..	9·10	..	..	9·15	..	..	9·20	..		9·25	..
5 Introduction of Sericulture in North Arcot district.	0·30	0·55	..	..	0·20	..	..	0·22	..	..	0·24	..	..	0·26	..
6 Introduction of Sericulture through Small Farmers Development Agencies.	0·23	0·16	0·60	..	0·16	..	..	0·17	..	..	0·18	..	..	0·19	..
7 Sericulture Pilot Centre in Coimbatore and other districts.	0·14	0·16	..	0·07	0·24	..	0·07	0·32	..	0·07	0·40	..	0·07	0·48	..
8 Development of Sericulture in Hill areas.	0·69	0·14	..	0·69	0·28	..	0·69	0·42	..	0·69	0·56	..	0·69	0·70	..
9 Production of Cross Breed layings Dfls.	0·20	0·28	..	0·20	0·56	..	0·20	0·84	..	0·20	1·12	..	0·20	1·40	..
10 Research Extension Centre ..	0·50	1·00	..	..	1·05	..	..	1·10	..	..	1·15	..	..	1·20	..
11 Strengthening of Staff in the Directorate.	0·07	0·33	..	..	0·34	..	..	0·35	..	..	0·36	..	..	0·37	..
12 Sericultural Education and Training.	1·10	..	..	0·82	..	..	0·82	..	..	0·82	..	..	0·82	..	..
	12·73	19·32	1·10	1·78	19·60	0·50	1·78	20·26	0·50	1·78	20·92	0·50	1·78	21.58	0·50

(N.R) = Non-Recurring	..	Rs. 19·85 lakhs.
(R) = Recurring ..	..	Rs. 101·68 lakhs.
(L) = Loan	..	Rs. 3·10 lakhs.
Total	..	124·63 lakhs.

STATEMENT SHOWING THE FINANCIAL COMMITMENTS FOR SECOND FIVE-YEAR PERIOD.

RS. IN LAKHS.

Name of the Scheme.	N.R.	R.	L.	N.R.	R.	L.	N.R.	R.	L.	N.R.	R.	L.	N.R.	R.	L.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1 Free supply of cuttings	0 50	4·10	..	..	4·12	..	..	4·14	..	..	4·16	-	-	4·18	L
2 Supply of rearing appliances ..	..	3·15	..	..	3·15	..	..	3·15	..	..	3·15	..	..	3·15	..
3 Loan and subsidies	..	0·50	0·50	..	0·50	0·50	..	0·50	0·50	..	0·50	0·50	..	0·50	0·50
4 Development of Sericulture in Dharmapuri district.	..	8·30	..	..	8·35	..	..	8·40	..	..	8·45	..	..	8·50	..
5 Introduction of Sericulture in North Arcot district.	..	0·28	..	..	0·30	..	..	0·32	..	..	0·34	..	..	0·36	L
6 Introduction of Sericulture in Small Farmers Development Agencies.	..	0·20	..	..	0·21	..	..	0·22	..	..	0·23	..	..	0·24	..
7 Sericulture Pilot Centres in Coimbatore and other districts.	0·07	0·56	..	0·07	0·64	..	0·07	0·72	..	0·07	0·80	..	0·07	0·88	..
8 Development of Sericulture in Hill areas.	0·69	0·84	..	0·69	0·98	..	0·69	1·12	..	0·69	1·26	..	0·69	1·40	..
9 Production of Cross Breed Grainages.	0·20	1·68	..	0·20	1·96	..	0·20	2·24	..	0·20	2·52	..	0·20	2·80	..
10 Research and Extension centre	..	1·25	..	..	1·30	..	..	1·35	..	..	1·40	..	..	1·45	L
11 Strengthening of staff in the Directorate.	..	0·38	..	..	0·39	..	..	0·40	..	..	0·41	..	..	0·42	..
12 Sericultural Education and Training.	1·1	..	..	0·82	..	..	0·82	..	..	0·82	..	..	0·82	..	..
	2·56	21·04	0·50	1·78	21·90	0·50	1·78	22·56	0·50	1·78	23·22	0·50	1·78	23·88	0·50

(NR) = Non-Recurring .. Rs. 9·68 lakhs.
(R) = Recurring .. .. Rs. 112·60 lakhs.
(L) = Loan .. .. .. Rs. 2·50 lakhs

Total .. 124·78 lakhs.

ANNEXURE

I. STATISTICS IN SERICULTURE—TAMIL NADU PLAN SCHEMES.

Particulars.	1966–67.	1969–70.	1970–71.	1971–72.	*Targets at the end of Two Five-Year Plan periods.*
(1)	(2)	(3)	(4)	(5)	(6)
Area under mulberry in hectares:					
Rainfed	1,320	1,744·62	2,184·15	2,596·64	..
Irrigated	159	242·00	292·45	327·00	10,000
	1,479	1,986·62	2,476·30	2,923·64	
1 Production of basic seed cocoons in lakhs	1·64	2·68	5·71	10·26	700 lakhs.
2 Quality of seed cocoons issued for preparation of C.B. layings	9·18	10·80	21·26	24·32	720 lakhs.
Foreign race	4·60	5·00	11·20	14·20	540 lakhs.
3 Production and supply of C. B. layings in lakhs	3·25	5,20,400	5,60,895	7·16	180 lakhs.
4 Quantity of Dfls chawkie reared and supplied	3,750	22,775	55,740	68,289	80 lakhs.
5 Estimated production of reeling cocoons	1,05,126	80,359	1,15,132	2·00 lakhs.	36 lakhs.
6 Yield of reeling cocoons (kgs.):					
Rainfed	125 kgs.	130 kgs.	140 kgs.	180 kgs.	200 kgs.
Irrigated	250 kgs.	300 kgs.	350 kgs.	400 kgs.	900 kgs.
Hectare of mulberry per 100 Dfls.	1,800 kgs.	20·00	20·00	25·00	40 kgs.
9 Production of raw silk (in lakhs kgs.):					
(1) Filature raw silk	..	..	..	—	—
(2) Cottage basin	..	803·20	1,176·99	1,887·36	—
(3) Charka	..	181·00	278·00	116·00	3·00
(4) Duppion	..	19·05	20·90	42·00	0·30

FINANCIAL.

II. PLANNING COMMISSION REALLOCATION.

(1)	(2)	States Sanction. (3)	Expenditure. (4)
		(RUPEES IN LAKHS.)	
1969-70	17·00	13·29	9·09
1970-71	14·40	5·55	8·50
1971-72	9·87	9·97	8·19

PARTICULARS.

(1)	1969-70. (2)	1970-71. (3)	1971-72. (4)	1972-73. (5)
Number of schemes approved	13	12	10	15
Number of schemes implemented	13	8	8	15
Planning Commission allocation	17·00	14·40	9·87	19·72
State sanction	13·29	5·55	9·97	15·87
Expenditure	9·09	8·50	8·19	..

PHYSICAL ACHIEVEMENTS.

1 Loans for sinking wells and construction of sheds :				
Subsidy	0·39	0·25	0·34	0·50
Loan	0·46	0·20	0·34	0·50
	21 wells, 11 sheds.	21 wells, 21 sheds.	8 wells, 7 sheds, 2 pumpsets.	13 wells, 13 wells, 11 pumpsets.
2 Supply of cuttings	0·17	0·13	0·45	0·35
Number of cartloads	707	1,012	2,271	1,400

II. PLANNING COMMISSION REALLOCATION—*cont.*

Particulars. (1)	1969–70. (2)	1970–71. (3)	1971–72. (4)	1972–73. (5)
3 Supply of appliances	0·101	0·105	0·25	0·25
Number of sets	101	105	250	250
4 Combined Farm and Grainage (Layings)	0·021	0·24	0·12	0·22
	0·70 lakhs	0·52 lakhs.	1·02 lakhs.	2·10 lakhs.
5 Demonstration Silk Farm, Uddanapalli (Loca race cocoons)	..	0·21	0·22	0·25
	..	0·62	3·90	7·50 lakhs.
6 Large Scale Silk Farm	6·96	6·11	5·44	5·80
	4,694·5 kgs.	10,679 kgs.	15,679 kgs.	45·106 kgs.
7 Research Extension Centre	..	0·70	0·99	1·89 lakhs.
			90,747 seeds cocoons 8 new combinations selected.	

ANNEXURE.

II. PRODUCTION OF RAW SILK (INDIA).

(IN TONNES.)

Year.	*Mulberry.*	*Non-Mulberry.*	*Total.*
1931–32	938	249	1,187
1949	971	377	1,348
1954	1,088	232	1,320
1962	1,401	380	1,781
1965	1,634	518	2,152
1968	1,745	572	2,317
1969	1,820	525	2,345
1970	1,895	550	2,445

ANNEXURE.

III. SHARE OF STATES IN INDIGENOUS PRODUCTION OF RAW SILK.

(RUPEES IN LAKHS.)

States.	*Percentage of mulberry silk production to total production of all States.*	*Percentage of non-mulberry silk production to total production of all States.*	*Percentage of mulberry and non-mulberry of all States.*
1 Mysore	80·58	..	60·79
2 Assam	0·92	47·69	12·47
3 West Bengal	15·34	2·51	12·17
4 Madhya Pradesh	0·03	23·61	5·86
5 Bihar	..	22·34	5·51
6 Jammu and Kashmir ..	2·73	..	2·06
7 Orissa	..	3·68	0·90
8 Others	0·40	0·17	0·33
	100·00	100·00	100·00

ANNEXURE.

IV. EXPORTS OF FABRICS IN INDIA

Mulberry Silk fabrics Tassar Fabrics.

(FIGURES IN LAKHS.)

Year.	*Quantity. Mts.*	*Value. Rs.*	*Average per mt.*	*Quantity Mts.*	*Value Rs.*	*Average per Mt.*	*Total. Value. Rs.*	*Total. Average per Mt.*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1966	17·36	222·27	12·80	3·24	46·15	14·65	268·42	13·03
1967	17·48	287·93	16·47	3·71	54·18	14·63	342·11	16·14
1968	25·74	418·21	16·25	9·13	131·95	14·45	550·16	15·78
1969	26.00	388.95	14.46	6.28	94.84	16.10	483.10	14.58
1970	20·00	325·50	14·20	5·10	82·90	16·00	341·50	14·98

ANNEXURE.

V. FINANCIAL PROJECTION STATEMENT FOR FIFTH AND SIXTH PLAN PERIODS.

Year.	*Expenditure on IV Plan Schemes.*	*Year.*	*Expenditure on First Year of the Plan period.*	*Year.*	*Expenditure on Second Year of the Plan period.*
(1)	(2)	(3)	(4)	(5)	(6)
			(RS. IN LAKHS.)		
1969–70	9·09	I Year	33·15	I Year	24·10
1970–71	8·50	II Year	21·88	II Year	24·18
1971–72	8·20	III Year	22·54	III Year	24·84
1972–73 (anticipated)	16·00	IV Year	23·20	IV Year	25·50
1973–74 (anticipated)	20·00	V Year	23·86	V Year	26·16
Total ..	61·85		124·63		124·78

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(INDUSTRIAL CO-OPERATIVES).

MADRAS-5,
DATED 21ST SEPTEMBER 1972.

PREFACE

The Working Group on 'Industrial Co-operatives' was constituted by the Chairman of the Task Force on Small Industries. It has been my privilege to serve as the Convenor of the Working Group. The Working Group consisting of six members besides me, met on eight occasions, six in Madras city and one each at Madurai and Coimbatore.

The Working Group had exhaustive discussions on the various aspects of the working of Industrial Co-operatives. Their problems and difficulties and the possible solutions to improve the working of the Societies were discussed during these sittings. The recommendations at the end of this report have been made as a culmination of these discussions after a thorough examination of all the aspects of the Industrial Co-operative movement. The perspective plan for the next 12 years has also been prepared with reference to the conditions obtaining in this State, the scope for development of each of the Industries proposed, etc. It may be seen that out of the total cost of Rs.769-25 lakhs, the Government's contribution will be only to the extent of Rs. 349-61 lakhs, the remaining share being raised from the members of the proposed Industrial Co-operative Societies and from financing agencies.

I am thankful to the Presidents and Secretaries of the Industrial Co-operative Societies and Departmental Officers who participated in the discussions at Madurai and Coimbatore when they gave useful suggestions.

I am also thankful to all the members of the Working Group who evinced great interest during the sittings of the Working Group and in helping to bring out this report, which I hope, will be found useful by the Task Force.

My thanks are due to Thiru T. B. Panchanadan, Assistant Director of Industries and Commerce (Industrial Co operatives) who participated during all the sittings of the Working Group and in the deliberations as well as in drafting the report of the Working Group. I also thank the staff of the Industrial Co-operative branch of the Office of the Director of Industries and Commerce who helped the working group in making available necessary statistics and details for the preparation of the report.

I also thank Thiru R. Muthukrishnan, Secretary of the Task Force on Small Industries who attended most of the sittings of the working group and gave all possible assistance.

I take this opportunity to express my gratitude on behalf of all the members of the Working Group as well on my own behalf to the Chairman of the Task Force, Thiru N. Mahalingam, B.SC., M.I.E., for his advice and guidance in bringing out this report.

E. RAMAKRISHNAN,
Convenor.

INTRODUCTION.

The Task Force on Small Industries of the State Planning Commission has set-up several Working Groups, one of which is the Working Group on 'Industrial Co-operatives'. The Working Group comprises of —

1. Thiru E. Ramakrishnan, B.SC. B.SC., (Tech.), Joint Director of Industries and Commerce, (Industrial Co-operatives and Handicrafts)—*Convenor.*

Members :

2 Thiru S. Rajarathnam, M.A., A.I.I.B., President, The Tamil Nadu State Industrial Co-operative Bank, No. 7, Second Main Road, Madras-28.

3 Thiru S. Arumugam, Joint Director of Handlooms, Kuralagam, Madras-1.

4 Dr. M. I. Mathews, B.SC. B.SC. (Tech.) Ph.D. (Glasgow), A.R.T.C. (Glasgow), Joint Director of Industries and Commerce (Engineering), Department of Industries and Commerce, Chepauk, Madras-5.

5 Thiru T. R. Krishnaswamy, B.SC. (Engineering), Retired Joint Director of Industries and Commerce (Industrial Co-operatives), No. 2, First North Boag Road, Madras-17.

6 Thiru Sadagopan, Secretary, State Khadi and Villages Industries Board, Kuralagam, Madras-1.

7 Col. T. V. Natarajan (Retired.), President, Ex-Servicemen Industrial Co-operative Society, No. 1, First Cross Street, Ramakrishnan Nagar, Madras-28.

Besides the above seven members Thiru T. B. Panchanadan (Assistant Director of Industries and Commerce, Industrial Co-operatives) was also associated with the work right from the beginning of the functioning of the Working Group. Thiru R. Muthukrishnan, Secretary of the Task Force on Small Industries attended most of the meetings of the Working Group.

The Working Group on the whole had eight sittings two of which were held in Mofussil stations, viz., Madurai and Coimbatore. The sittings at Madurai and Coimbatore lasted two days each. During these two sittings (at Madurai and Coimbatore) the members of the Working Group had detailed discussions on the various aspects of industrial co-operatives with Selected Presidents and office bearers (including full-time Secretaries) of Industrial Co-operatives as well as Departmental officers connected with the administration of these societies. The report of the Working Group has been prepared after taking into consideration the valuable suggestions given by the participants in the discussions at Madurai and Coimbatore.

The Director of Handlooms who could not attend the sittings of the Working Group, was kind enough to depute his Joint Director, Thiru R. Arumugham who was present during most of the sittings of the Group. Thiru V. Padmanabhan, former Secretary of the State Khadi and Village Industries Board attended the discussions till he relinquished office of that post. There after his successor Thiru Sadagopan attended one of the meetings.

The terms of reference specified for the Task Force have been taken as guidelines for preparing the report of the Working Group in the absence of any clear-out terms of reference for this Working Group. The report of the Working Group, submitted herewith,

should, in our opinion help the Task Force on Small Industries to draft its own report for providing a comprehensive and detailed picture of —

(i) the resources endowment, the present pattern and intensity of its utilisation.

(ii) a critical review of the programmes which have been implemented during the last two decades and their impact on production and productivity ;

(iii) directions of future developments ; and

(iv) Constraints to development.

In this connection, we have to point out that of the above terms of reference to each Task Force, the Working Group has not been given any indication regarding the financial resources available to the Industrial Co-operative Sector. In the absence of such an indication the perspective programme of development spelled out in this report has been prepared with reference to need and scope of development.

While setting up this Working Group on Industrial Co-operatives, the Task Force has not spelled out clearly what categories of co-operatives should be classified as 'Industrial Co-operatives' for the purpose of study and examination by this Working Group. The Task Force has set-up other Working Groups, some of which during the course of their deliberations may also incidentally deal with co-operatives which have to be classified as 'Industrial Co-operatives' i.e., the Working Groups on Handlooms, Sericulture ,etc. For purposes of the task relating to the Working Group on Industrial Co-operatives, the following definition of the term 'Industrial Co-operatives' has been adopted :—

"Industrial Co-operatives are those which undertake manufacturing and processing activities and/or provide service facilities to Artisans, Producers, Technicians, Engineers and Consumers and will include central or apex institutions which help primary societies in achieving their objects."

It may be noted in this connection that the conception that an Industrial Co-operative Society is one which aims at giving employment opportunities to artisans and workers has become outmoded, and that Co-operative institutions formed for helping not only artisans and workers, but also small producers, technicians and entrepreneurs, as well as societies engaging themselves in industrial activities for the benefit of the consumers including consumer Co-operatives undertaking industrial activities to meet the needs of the members have to be brought under the purview of the term "Industrial Co-operatives." Processing Co-operatives have also to be reckoned as Industrial Co-operative for the purpose of this report. Industrial Co-operatives coming under various administrative departments like Industries and Commerce, Handlooms, Khadi and Village Industries, Sugar, etc., will be covered by this report, all in a general way. It is upto the Task Force to Co-ordinate the recommendations of this Working Group with those of the other Working Groups.

While preparing this report this Working Group has taken into account the recommendations and suggestions made by the earlier committees and Working Groups which have a bearing on the Working of Industrial Co-operatives, e.g., reports of the Santhanam Committee on Co-operation, reports of the two Working Groups on Industrial Co-operatives set-up by the Reserve Bank of India, the Working Group on Industrial financing through Co-operative Banks, etc.

CHAPTER I.

A GENERAL SURVEY OF INDUSTRIAL CO-OPERATIVES.

1·1 The Co-operative Sector has a very important role to play in the economic growth of our country. Everyone has accepted that co-operation, as an economic system, is the most suitable medium for helping the economically backward sections of the society. Co-operation has proved its worth in improving the economic condition of the agriculturists in India. During the past, nearly seventy years it has taken deep root in the rural economy of our country. If the rural indebtedness in the country has been tackled effectively it is more due to the impact of the agricultural co-operatives credit as well as marketing, than of other reasons. The Governments both at the Centre and in the States have been giving unstinted support to the co-operatives for the agricalturists. Apart from credit societies and marketing societies, other types of co-operatives like the Milk supply Societies, Land Colonisation Societies, Irrigation Societies, etc., have also been formed for the rural community.

1.2. In the urban areas, Urban banks, Consumer co-operatives, Housing Co-operatives etc., have been serving the public well.

1.3. It is only after 1956 that co-operation is being used on any appreciable scale for uplifting the economic condition of the artisans, small producers, etc. Till 1956 the progress on the Industrial Co-operative side was practically insignificant, except to some extent, in the handloom sector. The artisans, small producers, etc., have been under the clutches of master workers and merchants. With the tempo in the industrial development in the country, the need to improve the economic condition ofthe weaker sections of the industrial field, viz., artisans, workers and even small producers as well as entrepreneurs was realised. The role which the co-operatives could play in uplifting the condition of these people was recognised. This led to a programme of intensive formation and starting of Industrial Co-operatives of various kinds, viz., Village Industries, Cottage Industries, Handicrafts, Small Scale Industries, Processing Industries, etc. The Co-operative administration was decentralised with a view to give specialised and expert attention to those Co-operatives. The Industrial Co-operatives came to be placed under the charge of the Director of Industries and Commerce, the State Khadi and Village Industries Board, the Director of Handlooms and the Director of Sugar. The administration and management of Industrial Co-operatives are far more complex and difficult as compared to other co-operatives. This aspect will be dealt with in detail in a subsequent chapter.

1.4. As already indicated under introduction for purposes of this report, Industrial Co-operatives are those which undertake manufacturing and processing activities and/or provide service facilities to artisans, small producers, technicians, engineers and consumers and shall include central and apex societies which help primary societies in achieving their objects.

1.5. Primary industrial Co-operatives are either production type or service type institutions, the former type, undertaking production of articles at societies own account and paying wages to the members. They can again be sub-divided into two categories:

(*a*) cottage industrial type where members take raw materials to their houses, convert them into finished goods and deliver them to the societies and receive wages at rates prescribed from time to time, and (*b*) workshop societies where members work in a common workshed attending to conversion of raw materials into finished goods in the societies own premises. The workshop type institutions generally come under Factories Act and are generally suitable for industries involving use of power driven machinery. There are workshop institutions where a major part of the work is done by hand and only a small part involves use of machines. The Carpenter's Co-operatives, Blacksmith Co-operatives, etc., are examples of this type. Handloom Co-operatives, Metal Workers' Co-operatives, etc., are generally of the Cottage Industrial type, but institutions of the workshop type are also in vogue in these trades.

1.6. The Service Industrial Co-operatives generally do not engage themselves in conversion of raw materials into finished goods on their own account. They render service to the members by assisting them in one or more of the following ways :—

(i) Procuring or producing raw materials and supplying the materials to the members.

(ii) Buying and selling finished goods produced by the members on societies' own accounts.

(iii) Selling the finished goods of members on agency basis.

(iv) Giving financial assistance for procurement of raw materials, etc., or on the pledge or hypothecation of finished goods.

(v) Owning and hiring out machinery, tools, etc.

(vi) Processing the raw materials produced by the members to their best advantage.

(vii) Imparting training to members in improved methods of production, etc.

The Central and apex Co-operative Institutions are mostly service type societies. Among the primaries, there can be societies which are production-*cum*-service societies, e.g., there are some metal workers' industrial co-operative societies which issue raw materials to members and get them converted into vessels on their own account and also purchase and sell the vessels produced by the members where production is done on members' own account. There are also cases of Coir Co-operatives where production is done on societies' account and at the same time the societies also buy the goods of the members either on outright basis or merely sell them on agency basis. It is not possible to categorically say as to which type of a society is better suited to the members. Each case has to be examined on merits with reference to the type of industry for which a society is to be started, the area where it is started and the environmental conditions, the attitude of the members who constitute the society, the proficiency of the members in the particular trade, marketing aspect, etc. It is neither possible nor desirable to prescribe any set pattern or even formulate rigid norms in the matter. Depending upon circumstances, any society should be in a position to convert itself from a production type society to a service type society and vice versa. The Working Group wishes to stress the need to have the largest amount of flexibility in this matter. The constitution of every society should be such that the pattern and the type of its working should be enabled to be charged without much of procedural formalities involving delays.

SENTAMIL COLLEGE MADURAI

CHAPTER II.

CONSTRAINTS IN THE DEVELOPMENT OF INDUSTRIAL CO-OPERATIVES AND THEIR PROBLEMS.

2.1. Co-operation is essentially an association of persons. It is an association of persons who have common economic needs. The success of any co-operative institution depends, therefore, to a very large extent on the human material constituting the institution. We cannot say that the success of a co-opertaive society would depend solely on this factor, but this is the most important factor which determines the success and progress of a society. This is all the more so in an industrial co-operative society, the running of which is far more difficult and complex than the conventional type of co-operatives. Unless the members who constitute the society realise not only their rights in a co-operative society, but also their responsibilities, the institution cannot make any headway, and deliver the goods to the members. Every member should realise that the co-operative society, of which he is a member,forms an integral part,can bestow benefits only in proportion to the measure of his loyalty to the society. In addition every member should realise, that, in the intitial stages of a society, some amount of sacrifice is called for to enable the society get over its teething troubles and stand on a stable footing so that a strong society can be established which would be in a position to render benefits to the members which would help them improve their economic condition. Just as every member is expected to discharge his responsibilities towards the society to entitle him to expect benefits from the institution, the institution should be such that it does not fail the members in helping them in improving their economic lot. If, in spite of unstinted loyalty and sacrifice on the part of the members, a co-operative society on its part fails to achieve its objects and helps the members getting the benefits, then it will have to be construed that there is something seriously wrong either with the management of the society or with the scheme itself. The loyalty between the members and a co-operative society should be mutual, if the institution were to be a success. Every member is entitled to benefits from a co-operative society only in proportion to his own loyalty and contribution for the successful working of the society. In practice, we find by and large, that only such of the Industrial Co-operative Societies thrive, where their members are dedicated to the societies, and as a result the members derive the benefits of the society by way of continuous employment, reasonable wages, a good share in the profits of the society, appreciable amounts of savings etc. Societies, in which the members behave in an unrestrained manner by demanding unreasonably high rates of wages, demanding loans and advances for which they are not entitled and which naturally they have no inclination or tendency to repay, wanting to produce articles without reference to market conditions, refusing to conform to quality and standards prescribed, etc., come to grief sooner or later and the members abandon the institution as if it were a sinking ship. They do not for a moment realise that the ill-gotten benefits which they derived, if they can be called benefits, are only temporary gains. They, evidently have not realised that a society can bestow benefits of a permanent nature only through loyalty to the institution and by a real sense of involment in the ideals and affairs of the society. It has been found necessary to deal with this aspect at some length in view of the fact that, except in a few cases, the behaviour of individuals as members

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of the co-operative institutions determine the future of these societies. Quite a lot of propaganda and education in the co-operative way of doing things is necessary in this regard. The Working Group wishes to emphasise that academic education does not necessarily determine the calibre of the members of Co-operative societies. There are cases where members of Industrial Co-operatives with sufficient educational qualifications spoil the working of societies by their selfish attitude. There are also cases where members without much of educational background have proved to be ideal members of co-operative societies.

2·2. The next important constraint is management. The need for good management cannot be over-emphasised. The managements of Industrial Co-operatives are vested in Committees which are :—

(i) Wholly elected by the share holders,

(ii) Wholly nominated by the Registrar and

(iii) Majority of Committee members elected by the share holders and a few nominated by the Registrar or the Government.

In a few cases the management is vested in a special officer appointed by the Registrar after superseding the committee ; but this is only as a temporary measure. The element of nomination is, no doubt, repugnant to the co-operative principles, but the need to deviate from this principal in the case of Industrial Co-operatives in the larger interests of the societies and in view of the big stake which the Government have in these Institutions will be dealt with separately under Chapter " Resources—Manpower ". However, the extent to which bad and ineffective managements are constraints to the development of Industrial Co-operatives has to be discussed here. Normally, with ideal members constituting a society, it would be very difficult for a bad management to carry on for a considerable length of time to make any permanent damage to the society. May be, for temporary periods, there may be difficulties and even set backs, but vigilant members who have the larger interests of the society at heart, generally get rid of undesirable elements in the management, be they elected or nominated. The difficulty would come in only where the members are not so vigilant or are not aware of their rights and privileges. As in politics, so in co-operatives the members generally get the management which they deserve. However, in societies where the members are not conversant with co-operative ways of doing things, but who are responsive to these ideas, good managements, can act in a positive manner by giving the right type of leadership and thus make societies function on proper lines. With unscrupulous members and bad management, nothing but chaos can result in a society. Getting the services of the right types of persons to hold office on the Boards of Management is essential for the proper development of industrial co-operatives. These persons should not only be dedicated persons (should neither have vested interests nor be disinterested), but should also be persons possessing necessary competence, and local influence. The difficulty is in getting the services of such persons to the Insdustrial co-operatives.

2·3. The Industrial Co-operatives are run, with less of owned capital and more of borrowed capital. Except in the case of Khadi and Village Industries Commission which gives loans at $2\frac{1}{2}$ per cent interest, the other Industrial Co-operatives borrow at high rates of interest of 9 per cent per annum and above for their fixed capital as well as working capital from co-operative Banks, financing institutions, etc., " Industrial Co-operatives"

is a comprehensive term including capital intensive institutions like the Co-operative Banks Co-operative Sugar Mills, etc., highly labour intensive socio-economic schemes like societies for mat weavers, palm leaf workers, coir workers, etc., etc. The societies formed on socio-economic considerations have been formed to provide employment opportunities to the weaker sections of the community like the harijans, women and economically backward communities. But for the formation of these societies, the members of these societies will either have to be at the mercy of master workers and merchants or will be unemployed. The Industrial Co-operatives formed for these persons are all small institutions and many of them are unable to become viable units, with the result they go on sustaining more and more losses. One of the many reasons for this state of affairs is that these societies which work mostly on borrowed capital are unable to pay high rates of interest.

2·4 The small societies generally require the services of departmental secretaries to run their day-to-day affairs, as the members are illiterate. The Government give the services of departmental staff free of cost only during the initial period of say, three years. Thereafter these societies have to pay the cost of the staff. This again is a burden on the weak societies.

2·5 Unlike private merchants, every co-operative society has necessarily to incur certain overhead charges in the form of rent, clerical and accounting expenses, etc., apart from interest and managerial charges. These add to the burden of the small societies.

2·6 Some small societies have been given loans and grants for constructing work-sheds and office buildings. The expenditure on these buildings has been out of proportion to the turnover in the societies. The societies, apart from having to bear the interest on the loan portion, have also to find resources to repay the loan instalments. Depreciation is another charge which has to be borne by them. Most of the societies find it impossible to repay these instalments. From practical experience, it has been found that it was a mistake in making these societies put up buildings from out of borrowed capital.

2·7 Many of the Industrial Co-operatives are handicapped on account of the impact of taxes and duties. There are persistent complaints from societies that, while private merchants are in a position to evade a major portion of the sales tax, purchase tax and excise duty, the co-operatives have necessarily to pay the taxes and duties and are consequently put to a great disadvantage both in marketing the finished goods, and in purchase of raw materials. This working group is not in a position to prove evasion of taxes and duties by private dealers, but it is commom knowledge that such practice is in vogue on a considerable scale. When societies require raw materials on which excise duty is payable, private producers who are not accountable to others are able to buy contraband material, if only they do not insist on bills. The societies cannot resort to this method. Brass metal sheets and circles (on which excise duty is payable) are reported to be available at cheaper rates, if the buyers do not insist on bills. Similarly, the Metal Workers' Societies which also buy brass scraps have to pay purchase tax, whereas the private dealers are in a position to evade this. While selling finished goods, the co-operatives have necessarily to add sales tax in their bills (in respect of all items on which this tax is payable) whereas private dealers do sell articles without sales tax, so long as bills are not required by the customers.

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2·8 The Match Co-operatives are the worst sufferers on account of the anomolies in the levy of excise duties and the procedure of excise clearance. We have at present nine Match Workers' Societies providing employment to nearly 1,000 workers. Under the existing regulations each producer in the cottage match sector has to pay excise duty as indicated below :—

(i) If production in a year is 75 million sticks and below.	Rs. 3·75 per gross of match boxes of 50 stickes each.
(ii) If production in a year is over 75 million sticks but less than 100 million sticks.	Rs. 3·75 per gross for the first 75 millions and Rs. 4·30 for the excess quantity.
(iii) If production in a year exceeds 100 million sticks.	Rs. 4·30 for the entire quantity.

The above slab system is, evidently intended, to give some sort of protection to small producers, as against the bigger producers. But not only is the intention not achieved, but the co-operative Match Workers' Societies are put to a great handicap which threatens the very existence of these institutions. No Match Workers' Co-operative Society can restrict its production to 75 million sticks in a year, as by doing so it will be able to provide work hardly to 20 workers and the income earned from this restricted production will be insufficient to cover the overheads. By increasing the production and paying excise duty at Rs. 4·30 per gross, the society cannot get any increase in selling price and the extra duty of Rs. 0·55 per gross will be a burden on the society. Either way, the society is put to a disadvantage and the time has come when the department has no other choice than to wind up the affairs of these societies. The private producers, it is said, are able to avoid the difficulty by each producer having more than one licence (in the names of other members of the family) and production is restricted to 75 million sticks under each licence, but the overall production is considerably more. Many private producers are also reported to be indulging in the sale of contraband matches. The removal of the bandrolling system and introduction of "Self-Removal Procedure" have facilitated this malpractice. Even the small Match Producers' Service Industrial Co-operative Societies, which sell matches produced by small match producers under common labels are greatly affected due to the advent of contraband matches in the market.

2·9 The Working Group on industrial financing through Co-operative Banks set-up by the Reserve Bank of India has gone into working of these weak societies in detail and it has recommended that schemes for reorganising such small societies having no viability should be launched upon with a view to make them viable within a prescribed period and that in cases where viability cannot be achieved the societies should be wound up. One of the important measures suggested for reorganising these small societies is merger of 3 or 4 societies in a compact area into a bigger and viable society. This suggestion, though on the face of it is good, is not practicable of implementation mainly because societies in the same trade are not concentrated in one area. The department of Industries and Commerce, is trying other methods like giving imporved facilities in production, marketing cost control, etc., for making the societies economically viable. But we cannot expect spectacular results out of these. The scope for making such societies started for the benefit of weaker sections viable is limited. The Santhanam Committee on co-operation has taken a very pragmatic view, realising the repurcussions in winding up the affairs of these

societies. The closure of the societies will only result in the workers being left unprotected or unemployed. This Working Group, therefore, fully endorses the recommendations of the Santhanam Committee on Co-operation, viz., that the societies for weaker sections should be helped for a considerable time, if they are to be put on sound footing and for this purpose the Government should give,—

(i) the services of a full-time Secretary at Government cost;

(ii) subsidy for machinery and other equipment; and

(iii) loans for working capital free of interest or at low rate.

It has also recommended that it is desirable that office building, workshop or godown for these societies should be constructed by the Government at their cost and rented to the societies on concessional rates.

CHAPTER III

PART A.

RESOURCES—FINANCIAL.

3·A-1. As in every industry, each Industrial Co-operative Society, big or small, depends on the following factors for their successful workings :—

1. Money;
2. Materials;
3. Men;
4. Marketing; and
5. Methods.

3·A 2. Finance is required by every Industrial Co-operative Society for—

(i) Land and building.

(ii) Machinery, tools and equipments.

(iii) Working capital.

3·A-3. The finance required is raised by the following methods :—

(*a*) Share Capital.

(*b*) Loans and cash credit from banks, financing institutions, Government and all-India bodies ; and

(*c*) Grants and subsidies from Government and all-India bodies.

(a) *Share Capital* :

An ideal co-operative society is expected to raise sufficient amount of share capital from the members from their own resources. But such an ideal condition can be created only in the case of co-operatives in which the members come from a comparatively affluent class of people, e.g., Co-operative Industrial Estates, Co-operative Sugar Mills, etc. As most of the Industrial Co-operatives are formed for the poorer sections, it would not be a practicable proposition to collect adequate amounts of share capital from the members from out of their own resources. The need to have a strong share capital base in any co-operative society has to be accepted as a cardinal principle. When the entire share capital amount is contributed by the members themselves, it would be the most auspicious beginning of the society as such a contribution would satisfy (i) the felt need for the society (normally members would come forward to contribute sizeable amounts of share capital only when the need for the society is real and pressing) and (ii) the stake of the members in the society would be to the extent to which they will take a real and healthy interest in the affairs of the society. But where poor artisans and workers, and even smal

producers are concerned, collection of full amount of share capital from the members themselves would not be practicable not withstanding the felt need. Hence the need to give share capital loans to members to enable them to purchase sufficient number of shares in the co-operative societies.

3·A-4. The issue of share capital loans is done by different methods. In the case of most of the societies under the Director of Industries and Commerce, share capital loans are issued directly to individual members from out of the funds provided for loans to be given under the State Aid to Industries Act. The share capital loans, even though sanctioned as loans to individuals, are paid directly to the societies to the credit of each member. The amount of loan to each member varies from Rs. 100 to Rs. 5,000 depending upon the nature of society in which the individual seeks membership. These loans carry interest at prevailing Government rates and the period of repayment varies from 5 years to 10 years. Though the societies help in the collection of loan instalments, the onus of repayment rests solely with the individual members. In some cases share capital loans have been given to societies which in turn sanction them to the individual members and credit the amounts to the share capital accounts. This procedure is followed in the Village Industrial Co-operatives for which funds are made available by the Khadi and Village Industries Commission, and in the Handloom Weavers' Co-operatives for which funds are given by the State Government. The share capital loans given to the members of the Village Industrial Societies and the Handloom Weavers' Societies are interest free. This benefit is not available to the members of the smaller societies under the control of the Director of Industries and Commerce, though the Government have permitted the societies to pay interest on share capital loans from their general funds, on condition that dividend is not paid on that portion of the share capital on which interest is paid by the societies. The Government have also issued instructions that in really deserving societies, the department could recommend waiver of interest on share capital loan. But waiver of interest has not been obtained by any society so far. The question of examining each case on merits for the purpose of waiver of interest involves protracted correspondence and avoidable delay. When the members of the societies coming under the purview of the Khadi and Village Industries Board, and the Director of Handlooms are eligible for interest-free share capital loans there does not appear to be any reason why a different procedure should be followed in sanctioning such loans to the members of the Industrial Co-operatives under the Director of Industries and Commerce. As the societies formed for weaker sections like those formed for the benefit of harijans, Backward classes, women, etc., where the amount of share capital loan per member will not exceed Rs. 200 should as a matter of principle, be given interest free. There should be no objection in share capital loans being sanctioned in lump-sums to the societies which in turn may sanction loans to individual members. In such cases the responsibility for repayment of these loans will fall on the societies, which in turn can recover the loans from the members by restoring arbitration proceedings, etc., in cases of defaults.

3·A-5. A strong share capital structure is necessary for every individual co-operative society. As the members of a majority of the Industrial Co-operative Societies are drawn from the poorer sections of the community, the need for the State Government participating in the share capital structure of the societies becomes important. Theoritically the members of every co-operative society are expected to raise adequate amount of share

capital. But in a country like ours, where the persons for whose benefit the co-operatives are started are exteremely poor, apart from the necessity of the Government giving share capital loans to members, the need for the Government participating directly in the share capital structure of the Industrial Co-operatives is there. Apart from helping the strengthening the share capital structure of the societies, Government's participation is in tune with its present policy of promoting and sponsoring co-operatives for bettering the economic condition of the people. Government's involvement in the co-operatives also gives status and prestige to these institutions and helps in creating a sense of confidence among the people in the societies. This is necessary till such time as the co-operative movement, especially in the industrial field, stabilises itself and becomes a people's movement in all respects.

3·A-6. The principle of Government participating in the share capital structure of Industrial Co-operatives has been accepted and the Government have already invested large numbers of money in the share capital structure of Industrial Co-operatives as indicated below :—

Serial number and category of societies.	*Number of Societies.*	*Amount.*
(1)	(2)	(3)
		RS.
1 Co-operative Sugar Mills	10	2,88,93,000
2 Co-operative Spinning Mills	12	1,99,46,000
3 Societies under the Director of Handlooms (other than the Spinning Mills.)	118	10,00,000
4 Societies under the Control of the Director of Industries and Commerce.	63	46,77,000
5 Village Industrial Co-operatives (by the S. K. and V.I. Board).	1	5,50,000
	204	5,50,66,000

3·A-7. The share capital contributed by the Government in all the above cases is of the equity type. No preference shares have been allotted. This type of assistance i.e. investing in equity shares alone should continue in order to give a sense of confidence in the societies among the members and others.

3·A-8. The question to be examined next is as to whether the shares allotted to the Government should be of a permanent nature or whether they should be made redeemable over a number of years. On principle the redeemable type of shares appears to be more desirable, but this need not be enforced strictly. If the shares are made redeemable, the period of redumption should be fairly long, say atleast twenty years to enable the societies to mobilise adequate additional share capital from the members equal to the

amount of the Government's share capital to be redeemed. Redumption in any society, in any year, without mobilising corresponding amount of share capital from the members should not be permitted.

3·A.9. Normally the state participation in the share capital structure of Industrial Co-operatives is in prescribed proportions like 50 : 50. In some cases the proportion varies. In smaller societies the Government participate in the share capital structure without reference to the share capital collected from the members. While, such contribution may be justifiable in the case of smaller societies, it is better that share participation by the Government is more or less on a matching basis. If this is not done, the members' own involvement would become very negligible. For purposes of computing members' contribution of share capital, the share capital loans can also be taken into account.

3·A.10. Except in the case of some bigger institutions like the Co-operative Sugar Mills, etc., and the Tamil Nadu State Industrial Co-operative Bank, there does not appear to be any accepted norms in the matter of the Government participating in the share capital structure of the societies. The Working Group on Industrial Financing through co-operative banks has recommended that each state Government, should, as a matter of policy, agree to participate in the share capital structure of all Industrial co-operatives on a scale which would enable each society to make good the shortfall in margins. The Working Group has appreciated the difficulty in any state Government implementing this suggestion on account of the heavy financial commitment. So far as the Industrial Co-operatives under the control of the Director of Industries and Commerce, alone in this State are concerned, the State Government will require approximately rupees one crore to take shares in these societies on a matching basis. The Working Group has therefore suggested that the possibility of extending refinance facilities to state Governments from out of the Reserve Bank's National Agricultural Credit (Long term operations) Fund for purchasing shares in Industrial Co-operatives Societies might be explored. At present this facility is available only for purchasing shares in agricultural co-operatives. So far as processing societies are concerned, the State Government can get refinance, upto 75 per cent for purchasing shares in these societies from the National Co-operative Development Corporation. The suggestion of the Working Group on Industrial Financing through Co-operative Banks with regard to the State Governments being enabled to avail themseselves of assistance from the National Agricultural Credit (Long term operations) Fund for purchasing shares in Industrial co-operatives (Other than processing societies), require serious consideration. Unless the State Government participate in the share capital structure of Industrial Co-operative Societies (especially those formed for the weaker sections) it would be difficult to strengthen the share capital structure of these societies. A strong share capital base helps the societies not only in reducing its borrowings (consequently minimising the interest charges) but in utilisation of such amounts in necessary fixed assets without having to find resources to repay the amounts had they been borrowed from outside sources.

(b) *Loans and Subsidies :—*

Industrial Co-operative Societies require funds for—

(1) Fixed assets (Land, Buildings, Machinery Equipments, etc.).

(2) Working Capital.

1. *Fixed Assets* :

Experience has shown that, as far as possible, small societies should not invest any portion of the borrowed funds in lands and buildings. The income derived by the societies are usually not sufficient to cover interest on capital locked up in these assets, depreciation, etc. Besides, the societies which invariably acquire these assets from out of borrowed funds cannot raise resource for repaying the loan instalments. A majority of the small societies which have acquired land and buildings from out of borrowed capital work not only on loss, but are in heavy default in the repayment of the loan instalments. Similarly extreme caution is necessary in buying machinery. Unless the society can put an item of machinery to full time use, it is not prudent to go in for its purchase. Heavy idle machinery hours have been responsible for some societies working on loss. In special types of societies like the Co-operative Sugar Mills, Spinning Mills, Tea Factories, Engineering type of societies, etc., investment of large sums of money on fixed assets like land, building, machinery, etc., cannot be avoided. Even in these cases it would be better that more of owned capital and less of borrowed capital is utilised on such investments.

3.A.11. The period of repayment of loans borrowed for fixed assets should be reasonably long as to facilitate the societies repay the instalments without undue hardship. As the same time the period should not be too long to out last the life of the asset for the purchase of which the loan is obtained. While deciding the terms and period of repayment it is necessary that due consideration should be given for the period required for erection and commencement of production and earning adequate return, and reasonable repayment holiday should be given.

3.A.12. In the case of industrial co-operatives for weaker sections, where investment on fixed assets cannot be avoided, the Government should come forward to give subsidies for the purchase of such assets either in full or in part. If a loan is given for meeting a portion of the cost of such assets, such a loan should be interest free. The object should be to relieve the small societies from the burden of interest as well as create conditions for the easy repayment of loan instalments.

3.A.13. There are various agencies which give financial assistance to Industrial Co-operatives for purchase of fixed assets. Till some time back the Government and various all India bodies like the Khadi and Village Industries Commission, Tea Board, All India Handicrafts Board, All India Handloom Board, were giving subsidies to small ocieties in a generous way. But the present trend is to do away with subsidies, as far as possible. While the practice of giving subsidies to Co-operatives is not generally conducive for their growth, small societies formed on socio-economic considerations require to be treated on a different footing. Subsidies in their cases, for acquiring fixed assets are quite necessary. The Khadi and Village Industries Commission has prescribed certain patterns of financial assistance, both by way of loans and grants to various schemes. The societies under the Director of Handlooms do not normally get subsidies for fixed assets. These subsidies are sanctioned mostly from out of Harijan Welfare Funds.

(2) *Working Capital* :

3.A.14. The Working Capital required by the Industrial Co-operatives are generally obtained from Co-operative and other banks as well as other agencies in the form of cash credits on the hypothecation of stocks, key loans and at times clean credits. Funds for

this purpose are generally given by the Co-operative Central Banks, the Tamil Nadu State Industrial Co-operative Bank, the Commercial and Nationalised Banks, the State Government and some All India bodies like the Khadi and Village Industries Commission. The Village Industries Societies get their funds from the Khadi and Village Industries Commission, the basis of sanction varying according to nature of industry. These loans carry a low rate of interest of 2½ percent per annum.The District Co-operative Central Banks provide loans for working capital to the handloom Co-operatives Section 17 (2) (*bb*). The Reserve Bank's lending rate to the State Co-operative Bank is 6 per cent. The apex Bank and Central Bank each charges ¾ per cent as its margin. The societies get their loans from the District Co-operative Central Banks at 4½ per cent, the State Government pays a subsidy equal to 3 per cent to the Co-operative Central Banks on the basis of loans given to the weavers and Societies. The Co-operative Sugar Mills, etc., get their working capital requirements from the Co-operative as well as commercial Banks at prevailing rates of interest. The National Co-operative Development Corporation gives refinance in respect of these loans to approved institutions. The societies under the Department of Industries and Commerce get their cash credit loans from the Tamil Nadu State Industrial Co-operative Bank paying interest at a high rate of 10 per cent per annum. (They however are eligible for a rebate of 1 per cent for prompt repayment). As this Bank has not been recognised by the Reserve Bank of India it is not eligible for refinance under section 17 (2) (*bb*). The State Government have recently ordered that the District Co-operative Central Banks should finance the societies under the Director of Industries and Commerce, also and obtain refinance from the Reserve Bank of India. This means that, if the societies obtain their loans from the District Co-operative Central Banks they will get some relief by way of interest by about 1½ per cent.

Interest:

3.A.15. The Small Industrial Co-operatives under the Director of Industries and Commerce can be made to work on successful lines, only if the Government come forward to subsidise interest in excess of 2½ per cent (to put them on par with Village Industrial Co-operatives) while some medium type societies may have to be given subsidy in excess of 4½ per cent (to place them on par with handloom weavers' societies). High rate of interest on loans (both for fixed assets, as well as for working capital) is one of the main reasons for many of the Industrial Co-operatives under the Director of Industries and Commerce working on loss.

Grants for Working Capital:

3.A.16. A few industrial co-operatives started under Harijan Welfare have been sanctioned outright grants for working capital. While sanction of grants for acquiring fixed assets or for imparting training to workers may be necessary, it is not desirable to sanction outright grants for working capital. Working Capital should invariably be required to be repaid. Such working capital loans may however be sanctioned free of interest or on nominal rate of interest.

Borrowing, Power, margin money and security;

3.A.17. The borrowing power in most of the Industrial Co-operatives, as in the case of the other co-operatives is fixed in the by-laws of the societies at certain number of times the paid-up share capital plus reserve fund. In a few cases the borrowing power is related

not only with reference to the share capital plus reserve fund but also with reference to the value of fixed assets minus losses sustained. For smaller industrial co-operatives which do not possess any fixed assets, the former method is more advantageous. The maximum borrowing power is fixed at 5 to 10 times the paid-up share capital plus reserve fund. In the case of most of the societies under the Director of Industries and Commerce and the Khadi and Village Industries Board, it is fixed at ten times the paid up share capital plus reserve fund. Such a generous ratio is necessary for smaller societies as the members who are mostly poor cannot raise adequate amounts of share capital. Reserve fund subsidies, not exceeding Rs. 5,000 per society, and State participation in the share capital structure are given mostly to enhance the borrowing power of the society. A higher ratio of 10 per cent is justified not only on the ground that the members are too poor to raise adequate initial share capital but also on the ground that most of the industrial co-operatives need large sums of money to start and run their activities. But in a few societies like co-operative Industrial Estates, where the members are drawn from middle class, the borrowing power is fixed at 5 times the paid up share capital plus reserve fund.

3.A.18. The Working Group on Industrial Financing through Co-operative Banks has recommended that the Industrial Co-operative Societies other than processing societies should be required to raise share capital from their members which is equal to at least 20 per cent of their estimated requirements of working capital and block capital. This recommendation was based on the assumption that one half of the share capital would be available for investment in block capital and the other half available for providing margin money for working capital. Realising the difficulty in raising initial share capital to the recommended level, the Working Group on Industrial Financing through Co-operative Banks has suggested issue of share capital loans. Share capital loans are generously given by the Government of Tamil Nadu. Even then the Industrial Co-operatives for the weaker sections are not in a position to raise share capital to the level of 20 per cent of the requirements. The principle of requiring the societies to raise substantial amounts of share capital cannot be disputed. We should aim at the societies being able to strengthen their share capital and statutory reserve at least in course of time. For this purpose the Working Group would suggest that the ratio of maximum borrowing power of a society to its paid-up share capital plus reserve fund may be progressively reduced over a period of time on the scale suggested below :—

First five working years of a society ..	Ten times the paid-up share capital plus reserve fund.
Sixth year to the eighth year	Eight times the paid-up share capital plus reserve fund.
Ninth year onwards	Five times the paid-up share capital plus reserve fund.

The above system should not cause much of a hardship to the societies, as due to efflux of time the reasonably good co-operatives should be enabled to increase their share capital to the adequate level besides building up the reserves position. Societies which do not satisfy the above norm should be considered to have failed. Exception may be necessar

in the case of some societies started for socio-economic purposes. In the case of such societies, the Government should come forward by helping the societies through equity participation and/or supplementing the reserve fund grants.

3.A.19. To achieve the above norm, the societies will be forced to collect thrift deposits from members and transfer the amounts to their share capital accounts, plough the dividends and bonuses back into the societies in the form of members' share capital. Even without any provision in their by laws progressively reducing the ratio of maximum borrowing power to the paid-up share capital plus reserve fund, some societies have been able to strengthen their share capital and reserve position. The industrial Co-operative tea factories are examples for this. Within the short period of their working, the factories have been building up their own resources and are reducing their dependence on the financing bank.

3·A·20. With regard to margin required for working capital, the present system in vogue, requiring 25 per cent margin appears to be good enough, but this may be reduced in special circumstances, each case being determined on merits. The question is whether, with the maximum borrowing power being fixed at ten times the paid-up share capital plus reserve fund, the societies would be able to provide 25 per cent margin. In the case of processing societies, the National Co-operative Development Corporation assists in providing necessary margin. In the case of other societies, insistance of 25 per cent margin would help the societies in minimising flittering away their money in the form of advances, credit sales etc., If in spite of their best efforts good and potentially good societies are unable to furnish the required 25 per cent margin, the Government may come forward to give a guarantee only to the extent of shortfall.

3·A·21. Regarding security for loans for block capital, the assets purchased from out of the loan should be pledged to the financing agency. In smaller industrial Co-operatives loans may have to be given up to 100 per cent of the value of assets purchased.

Government Guarantee.

3·A·22. The Reserve Banks' credit guarantee scheme is available to small scale industries including Industrial Co-operative but this facility can be availed of only through recognised institutions. While the Tamil Nadu State Co-operative Bank and the District Co-operative Central Bank are recognised for this purpose, the Tamil Nadu State Industrial Co-operative Bank which finances the Industrial Co-operative under the Director of Industries and Commerce, is not in a position to avail itself of this facility for want of recognition by the Reserve Bank of India. Consequently the affiliated Industrial Co-operatives are not in a position to benefit by this important scheme. The societies can come under the purview of the scheme, if they go to the District Co-operative Central Banks as recently permitted by the Government. The attitude of these District Co-operative Central Bank towards the Small Industrial Co-operatives was not so helpful in the past. It is not clear whether there has been any change of heart now.

3·A·23. The 90 per cent guarantee scheme under which the Central and State Governments jointly guarantee loans given to Handloom Co-opearative Societies is in vogue

Under this scheme, the financing banks are entitled for reimbursement to the extent of 90 per cent of the bad debts, remaining 10 per cent being borne by the financing bank itself. This scheme is not available for any type of Industrial Co-operative Societies.

3·A·24. The State Government has been standing guarantee to some Industrial Co-operative Societies for loans given by financing agencies as well as to All India bodies like the Tea Board for purchase of machinery, etc., The Government have also guaranteed repayment of fixed deposits, principal and interest upto Rs. 75 lakhs and for a cash credit accommodation of Rs. 30 lakhs to the State Bank of India in respect of the Tamil Nadu State Industrial Co-operative Bank. This Bank which is financing the Industrial Co-operative Societies under the Director of Industries and Commerce, has been approaching the department of Industries and Commerce for getting Government guarantee to cover in full the loans given to the weaker sections of the community. The important thing here is to create conditions under which the small societies can function as viable units This can be achieved by the Government giving assistance to enable the societies to get loans at low rates of interest, giving concessions in taxes so that the societies can compete with private manufacturers in the open market, giving other types of help with a view to reduce the overheads of the society as well as giving preferential treatment in Government purchases providing adequate quantities of raw materials at reasonable rates etc., Mere Government guarantee for the loans borrowed from the State Industrial Co-operative Bank without ensuring viability of the societies is not going to help either the societies or the artisans and workers who are their members.

3·A·25. As already explained, the finances required by the various types of Industrial Co-operatives Societies are given by various agencies viz., the Government, the Tamil Nadu State Co-operative Bank, the District Central Co-operative Banks, financing bodies like the Industrial Financing Corporation, the Tamil Nadu Industrial Investment Corporation, the Tamil Nadu State Industrial Co-operative Bank, all India bodies like the Khadi and Village Industries Commission, Tea Board, etc. A special mention has to be made in this connection about the Tamil Nadu State Industrial Co-operative Bank at Madras which is working under the administrative control of the Director of Industries and Commerce. The bank was started in 1961, mainly because the District Co-operative Central Banks were showing a very unhelpful attitude in financing the small artisan Co-operatives. The Government were till then giving loans to these societies directly. It was considered that a separate bank should be started for financing the Industrial Co-operatives under the Director of Industries and Commerce. The Reserve Bank was opposed to the proposal right from the beginning principally on the ground that there should be only one apex co-operative bank for each State and that an apex bank exclusively for Industrial Co-operatives on a single tier basis would be against the principles of sound co-operative banking. The State Industrial Co-operative Bank, when it was started, had a provision in its by laws to finance individual industrialists and private small scale industrial units. The Reserve Bank of India was opposed to the idea of combining the financing co-operatives and private units as well as individuals. This objections has been conceded and it has been decided to stop giving loans to individual industrialists and private small scale industrial units. The State Government has been putting up a strong fight with the Reserve Bank of India for recognition of this bank and on the ground that the norms followed by the conventional co-operative banks in giving loans, if applied rigidly to the small

co-operatives formed for the weaker sections would cause undue hardship to such societies and that ultimately the poor artisans would not be benefitted by forming themselves into Industrial Co-operatives. The Reserve Bank, however would not relent from its origina stand and has been refusing to give recognition to this institution, with the result that this Bank has not been able to avail itself of the benefits of the Credit Guarantee Scheme. The bank, however has been able to mobilise sufficient resources through (i) share capital contributed by its members (nearly Rs. 21 lakhs), (ii) Share capital contributed by the Government (nearly Rs. 25 lakhs), (iii) 100 per cent guarantee of fixed deposits upto Rs. 75 lakhs, (iv) Guarantee to the State Bank of India to an extent of Rs. 30 lakh towards a cash credit loan sanctioned, (v) direct loan by the Government (Rs. 20 lakhs) and (vi) Tea board loans of Rs. 36 lakhs routed to the Tea factories through this Bank. Due to lack of refinance facilities under section 17 (2) (bb) from the Reserve Bank of India, the Bank is forced to charge interest at 10 per cent per annum. This causes undue hardship on the borrowing societies. The working Group on Industrial Financing through Co-operative Banks has also been opposed to separate State Industrial Co-opera tives Bank functioning in the country. The Santhanam Committee on Co-operation has recommended that the Tamil Nadu State Industrial Co-operative Bank should be affiliated to the Tamil Nadu State Co-operative Bank but that the former bank should be allowed to retain its individuality. The Reserve Bank now is willing to give the Tamil Nadu State Industrial Co-operative Bank the status of a Central Co-operative Bank provided it agrees to affiliate itself to the Tamil Nadu State o-operative Bank to confine its activities to two districts, viz., Madras City and Ramanathapuram District where there is concentration of bigger Industrial Co-operatives. The State Government is trying to persuade the Reserve Bank of India to agree to permit the bank to function atleast in 8 districts. On account of the delay in the recognition of this bank the affiliated industrial co-operatives are put to hardship. The Government have therefore directed the District Co-operative Central Banks to give loans to the Industrial Co-operatives including those under the Director of Industries and Commerce and to avail themselves of the refinance facility from the Reserve Bank of India. It has to be seen what the reaction of the District Central Banks would be in financing the societies for weaker sections. These banks may readily agree to finance such of those industrial co-operatives which are financially strong but refuse to help the smaller societies.

3·A·26. With too many small societies having week financial structure and having doubtful economic viability, the percentage of doubtful debts in Tamil Nadu State Industrial Co-operative Bank is bound to be high. It is necessary that the bank should build-up adequate bad debt reserves to meet losses on account of irrecoverable loans given to societies started on socio-economic considerations. The State Government should come forward to contribute a fixed sum of atleast Rs. 1 lakh every year to the bad debt reserve of the Bank, on the condition that the bank also sets apart a similar amount towards the reserve from out of its profit.

PART—B.

RESOURCES—MATERIAL.

3.B.1. The success of any industry-big, medium or small, would depend, among other factors on the availability of materials required at the right time, in right quantities, of the right specifications and qualities and at the right prices. The same is applicable to any category of Industrial Co-operatives. The raw materials required by the Industrial Co-operatives vary from locally produced agricultural produce like sugarcane, cotton, tea leaves, etc. to imported materials like copper and zinc ingots, phosphorous and sulphur, special grades of steel, diamond borte, etc.

3.B.2. The materials required by some co-operatives are available freely in the open market right through the year. For such societies raw material is not a problem. Probably the location of the societies with reference to the source from which raw materials may be available may have an important bearing on the success of these societies. The Brick makers' Societies and Potters' Industrial Co-operatives will have to be located in places where the right type of clay is available. Since the cost of raw material will affect the cost of production of the finished goods, the location of the societies will have to be determined more with reference to availability of raw materials than on other considerations.

3.B.3. There are cases of other societies for which raw materials may not be available in the vicinity, but yet the location of the industry need not be determined on the main consideration of availability of raw meterials in the area. The synthetic Gem Cutters' Societies are examples of this. The raw material is produced near Mettupalayam in Coimbatore District, but the skilled artisans are concentrated mostly in and around Tiruchirappalli. The raw materials required are not bulky and can be transported to the place of production without difficulty and at practicably negligible cost. The Match Co-operatives are not located in or near places where the main raw materials viz., splints and veneers are produced. Splints and veneers are produced mostly in places where soft wood is available. Climatic conditions have a bearing on the production of splints and veneers. Dry places are not suitable for manufacture of splints and veneers, whereas they are best suited for the manufacture of safety matches in the hand made sector. Not only is dry climate ideally suited for the manufacture of safety matches, but large number of labourers are available in the areas, as agriculture is not a predominant industry in these places.

3.B.4. There are other indigenously produced raw materials required by some categories of co-operatives, but scarcity (either of seasonal nature or of a permanent nature of these materials affect the development of co-operatives. Timber (required by Carpentry societies) though it cannot be classified as a scarce commodity is sometimes not available at reasonable prices. These societies, which have necessarily to be located near the marketing centre, can be helped by the Forest Department supplying the right quality and variety of timeber at concessional prices, without the societies having to compete with

others in its purchase. Jails and TANSI units are given this benefit. Iron and Steel required by many of our Blacksmithy Engineering Co-operatives suffer mostly due to non-availability of such materials. The societies doing fabrication work and which are able to secure sizeable orders from various agencies like the Electricity Board, Railways, etc., are unable to execute the orders for want of right type of black sheets, angles and rods. The quantity allotted is too little for the societies to work right through the year giving gainfull employment to their members. The Working Group fully realises that the supply position with regard to these scarce commodities is a general problem facing the country and that it will take some time for us to tide over the difficulty. But the special difficulty of the co-operatives vis-a-vis the private producers has to be taken into account. While the private producers are in a position to procure materials without bills, the societies cannot resort to this method. The Government should give preferential treatment to the Industrial Co-operatives in the matter of allotment of scarce commodities, as by doing so, they will be ensuring that thousands of artisans and workers will be provided with continuous employment.

3.B.5. As explained in detail in another Chapter, on "Constraints and the development of co-operatives and their problems" the malpractices committed by unscrupulous merchants, etc., in evading taxes and duties, not only affects the societies in the matter of marketing their finished goods but in the procurement of raw materials. Tax concessions or subsidies to co-operatives equal to the amounts of taxes and duties will go a long way in the development of Industrial Co-operatives. This is applicable mostly to Metal (Brass, etc.) Workers' Societies.

3.B.6. The Handloom Weavers' Societies were suffering from scarcity of yarn from time to time in former days. This problem has, to a great extent, been got over by starting a number of co-operative spinning mills in the State.

3.B.7. So far as match co-operative are concerned, frequent crisis due to shortage of one raw material or other, like potassium chlorate, match wax, blue match paper, phosphorous, sulphur, etc., have been causing set backs in the development of these societes. These shortages have also been affecting private units in the handmade sector of the match industry. Control over the distribution of these materials may ease the situation. So far as potassium chlorate is concerned, a Co-operative Society for the manufacture of this important chemical was registered. But this society has been liquidated and the licence given to it has been transferred to TIDCO which is starting a factory in the joint sector. Starting a co-operative society for the manufacture of blue match paper has been under consideration.

So far as Coir Co-operatives are concerned, extraction of fibre from out of retted husks is done only in Kanyakumari District and parts of South Arcot District. In other places retting facilities are not available. The Coir Co-operatives in other places mostly in Salem District—buy Coir fibre from Kerala and they produce Coir yarn and ropes. But purchase of fibre from Kerala is not so economical. Mechanically extracted fibre from out of green husks is now being introduced. If this proves successful, the coir co-operatives may get their requirements of fibre at cheaper rates.

In Tamil Nadu, mechanical extraction of fibre from dried husks is being introduced in areas where coconut trees are available in abundance. The Government of Tamil Nadu has sanctioned a scheme for providing financial assistance to 20 entrepreneurs for starting mixed fibre mills. When these mills go into production, there will be scope for starting new industries using the fibre produced by these mills. There is also a proposal to start a co-operative society for marketing the coir fibre extracted by these twenty mills.

So far as imported materials required by the co-operatives are concerned, there is not much of a difficulty, as the societies are able to get actual users' licences.

Many of the Industrial Co-operatives are not exercising normal prudence in purchasing and stocking raw materials.

PART C.

Resources : Manpower.

3.C.1. A co-operative society is essentially an association of persons. The success or failure of a society will be determined mostly by the behaviour of the members who constitute it . There may be a few cases of societies failing due to reasons other than the members. It has been explained in clear terms elsewere in this report that if the members are sincere and hard working and are conscious of their rights as well as their responsibilities, the society which comprises of such members should succeed. It has to be accepted that members of such calibre are not readily available for formation of co-operative societies. The members are often found to lack a sense of involvement in the societies, and they look only to the immediate benefits, though temporary in nature than to long term benefits of a permanent nature. It is necessary that the members should be taught of the need to be loyal to the societies and in making some initial sacrifises. Co-operative education and training can play a vital role in this direction. With no alternative other than co-operation to alluviate the distress of the poor people to help them stand on their own legs, we cannot afford to allow the movement to become a failure. It has got to be ensured that the movement gathers momentum in course of time and becomes a success.

3.C.2. The admission of sympathiser members in an industrial Co-operative Society formed for artisans and workers is a common phenomenon. This has certain advantages, but a lot of disadvantages too. The sympathiser members, if they are the right type of person can provide the small societies with the required leadership and help the institutions to develop on healthy lines. But more often than not, persons with vested interest of some kind or other enter the societies in the guise of ' Sympathiser Members'. They not only fail to provide the societies with the much needed leasdership but act positively in a manner detrimental to the interests of the societies and the members who consitute such societies. Merchants, middlemen and master workers in the line of production or activity for which societies are formed get into the societies both as members and on the Boards of management claiming to provide the institutions with necessary expertise. But, in the course of time, the societies are wrecked by these people. There are other ' Sympathiser members ' who try to use their positions in the co-operative societies to gain influence and also use such positions as stepping stones to get into more influential situations. There are others who get admitted as ' sympathiser members' and then get control over the working of the societies purely for monetary gains. All such persons should be treated as enemies of the co-operative movement. There are a few persons who really take interest in promoting the welfare of the poor members of the co-operative socities. The identification of such members and elimination of others is quite necessary. We cannot completely do away with ' sympathiser members ' in workers co-operatives as the working members are generally ignorant of promotional and management problems. The by-laws of every Industrial co-operative soceity provide for restricting the admission of ' sympathiser members ' to 1/10th of the total number of members. This proportion is too liberal. In many societies this proportion is adhered to more in breech than in observance. It is necessary that there should be (i) some method of screening the sympathiser members, (ii) special disqualifications

for sympathiser members, (iii) restriction of the number of sympathiser members to 2 or 3 per society and (iv) a summary way of elimination of 'sympathiser members' when their continuance in the society is found to be against the intetests of the societies.

3.C.3 In many societies, we find that, persons wholly unconnected with the trade for which they are formed, are admitted solely for the purpose of mobilising initial share capital. This is very undesirable, as this practice of collecting share capital from persons who have no real stake in the institutions will result either in a large number of members remaining inactive and disinterested in the working of the societies, or such members trying to gain an upper had in the management of the societies. Our enthusiasm to forming more and more industrial co-operatives may lead to resorting to such unhealthy practices. This should be curbed.

3.C.4. Not only is it necessary that the general body of every society is composed of the right type of persons, but it is also equally necessary that each society should have a good competent management consisting of persons who firstly have no vested interests and secondly have the necessary ability and leadership. The Directors of every society should be above board and should necessarily command the confidence and respect of the members. They should also persons who can stand up to pressure from member when they put forward unreasonable demands which would not in the long term interests of the society. There are practical difficulties in getting the services of right type of persons to serve on the Boards of managment of Industrial Co-operatives.

3.C.5. The need to have nominated Boards in Industrial Co-operatives is a tiklish question. One of the cardinal principles of co-operation is 'democratic management'. But the industrial co-operatives have peculiar problems like (i) worker and artisan members not being conversant with co-operative way of doing things, (ii) the high stake which the Government and the financing institutions have in the socities, by way of large amounts of loans, grants, equity participation, guarantee, etc., share capital loans to members, provision of fee managerial staff, etc. in the initial periods-all much out of proportion to the capital raised by the members from their own resources by conventional standards, (iii) susceptability of small industrial co-operatives faling in the face of stiff competition in the open market, etc. Notwithstanding the co-operative principle of 'democratic management', the Industrial Co-operatives, big or small should have nominated Boards till such time as they stabilise themselves, and reach a stage when they case to depend on undue government help. A period of five to ten years would be a reasonable time for an industrial co-operative society to have a nominated Board, but each case will have to be examined on merits. In the case of small societies formed for socio-economic purpose the availability of suitable persons from the workers themselves to form Boards of Management by election will be another consideration. Throwing open boards of management to election brings in, frequently, faction which helps unscrupulous elements trying to get into the managements. The Tamil Nadu Co-operative societies Act of 1961, provides that one-third, the total number of Directors subject to a maximum of three should be nominated by the government and the financing Bank, if a society has received financial or other aids from these agencies, when election is resorted to. This provision may, to some extent help keeping a balance in the Board of Management.

3. C. 6. Apart from the members and the Board of management of every co-operative society, the success of the societies would also depend on the paid employees. The responsibility of controling the paid employees is that of the Board of management. The members will, in turn, have to keep the Board of management in check.

3. C. 7. Unless an Industrial Co-operative Society is too small, it should have a full-time paid Secretary to run the day to day administration of the society. While the paid Secretary should necessarily, work under the general control of the Board of management and the President, he should not be reduced to the position of a mere clerk. The paid Secretaries in Industrial Co-operatives who very often are departmental officials, have to perform the functions of a manager and he should be allowed to manage things, without undue interference. The Board of management should, as far as possible, confine itself to taking policy dicisions, constitute such-committees for specific items of work and leave the Secretary to implement the decisions of the Board and the sub-committees. The Secretaries on their part should not hesitate to consult the President and the Directors wherever complicated issues crop up. All the other employees should be made to work under the Secretary.

3. C. 8. The Secretary should be vested with the responsiblity of developing business, quality control, maintaining proper accounts, attending to cost control, stock verifications, marketing prompt collection of dues and all other items of work in running the society successfully. He should be given adequate staff assistance, both technical and non-technical but it has to be ensured that the society is not loaded with avoidable establishment and contingent charges.

3. C. 9. The Government have permitted the Secretaries of Industrial Co-operatives, under the control of the Director of Industries and Commerce to be nominated as Directors on the Boards of management. Such nomination has been done only in the bigger societies having gazetted officers as Secretaries. This practice can be extended to societies under the control of the Director of Handlooms, State Khadi and Village Industries Board, etc. The nomination of the Secretaries as Directors gives the Secretaries the requisite status in participating in Board meetings, etc. In bigger institutions like the Co-operative Sugar Mills and Co-operative Spinning Mills Top Executive Officers are designated as Managing Directors (except in a few institutions where they are designated as General Managers).

3. C. 10. As the success or otherwise of an Industrial Co-operative Society depends, mainly, on the human material as well as other imponderable factors and as the management of any Industrial Co-operative Society involves difficult and complicated issues, the Working Group feels that instead of giving permanent registration to societies a method by which Industrial Co-operative Societies could be given temporarily registration for periods, say, up to 5 years and then confirming the registration can be thought of. The Tamil Nadu Co-operative Societies Act will have to be amended suitably providing for this. During this initial period, the society can be under a shortof probation and its activities closely watched. The management of such a society (till permanent registration is given) can either vest in a Special Officer or in a small managing committee. In the case of a managing committee the Registrar should have the power to veto any decision in the

interest of the society under probation. In the case of a special officer, he should work under the Registrar. Such a period of initial control may not only help establishing the societies on proper lines, but also in inculcating a sense of responsibility on the part of the members. If after the initial period, it is found that the society has good potentialities it can be given a permanent registration and the managment handed over to a properly constituted Board of Directors (nominated for some time and then elected).

CHAPTER IV.

MARKETING.

4.1. Marketing is one of the important factors which determines the success of any Industrial Co-operative Society. It is in this field that the societies feel the impact of competition from private producers as well as Government units, etc. Co-operative societies should normally be able to withstand competition from private dealers, but such a competition should be in a manner in which both the co-operatives and the private dealers operate under identical conditions. Unfortunately we find that the co-operatives are placed at a disadvantage due to several reasons, as compared to private dealers. The biggest handicap, is, as has already been explained in another chapter, the ability of private merchants to evade taxes and duties. This is due to the fact that the private dealers can afford to maintain false accounts and hoodwink the authorities. The co-operatives, which maintain open accounts have necessarily to pay all taxes and duties. This results in variation in selling price between the goods sold by the co-operatives and the pirvate merchants. Further the overhead expenditure in a co-operative society cannot be reduced below a certain level, whereas a private merchant who does not have to account to others can keep the overheads at the barest minimum. This again has its effect on the cost price of the articles. If the Industrial Co-operatives which are sponsored by the Government for helping poor artisans and workers are to sustain themselves and do real service to the members, it is absolutely necessary that these societies should be enabled to compete with others on really equal terms. As things stand at present, the private merchants are at a more advantageous position. This fact has got to be admitted and the Co-operatives given at least that much of assistance which would help them off-set the handicaps which they have to suffer. Assistance to co-operatives in the form of either tax concessions or rebate on sales equal to sales tax, etc., paid by them.

4.2. In the case of societies opening new sales emporia or depots, the Government should come forward to give monetary assistance in the form of grants to meet cost of sales, staff, rent, advertisement, etc., during the initial period. This form of assistance was being given formerly, but this is being discontinued.

4.3. The Handloom Co-operatives have stabilised themselves, now because the Government have been helping them get over the major hurdles which were formerly affecting this trade (i) by ensuring regular supply of yarn by opening more and more Co operative Spinning Mills in the State, and (ii) by giving rebate on sales at 5 per cent during normal times and at 10 per cent on special occasions. The handicrafts co-operatives get rebate on sales at 10 per cent only during the handicrafts week celebrations. The Working Group is of the view that rebate on sales should be given to all types of handicrafts, Cottage Industrial, Village Industrial and Small-Scale Industrial Co-operatives. The expenditure which the Government may have to bear on such assistance will be more than commensurate with the advantages and benefits derived by the poor artisans, workers, etc., to free themselves from the exploitation of merchants, middlemen and master workers. Such a socio-economic advantage will only be in line with the professed objectives of the Government.

4.4. A number of apex and central marketing co-operative societies have been formed for helping the small primary societies market their finalised goods to the best advantage. The main object should be to ensure that the artisan members of Industrial Co-operatives get economic prices for their products and that the artisans are kept fully engaged in their production work all through the year, relieving them of their responsibility to market their goods. The marketing societies should keep a lia son between the consumer and producer and also help the primary societies informed of the consumer tastes, etc. Most of the articles produced by the Industrial Co-operatives have seasonal demands. The marketing organisations should purchase and stock goods during off seasons and sell them during the seasons when there is demand. The handloom goods are in great demand during Deepavali, Pongal, Christmas, etc., the bedsheets during winter, footwear during summer, etc., The Marketing societies should keep sufficient stocks of such items having seasonal demands and sell them during the appropriate seasons. There are, of course, other products which are in demand throughout the year. The Marketing societies and their branches should not indulge in indiscriminate purchases and load themselves with dead stocks.

4.5. Among the various marketing societies for the industrial co-operatives, the Tamil Nadu State Handloom Weavers' Co-operative Society requires special mention. This institution which has over 300 sales emporia and depots, and whose annual turn over is around Rs. 8 crores has rendered great service to the lakhs of handloom weavers in the State. This society has tided over many crisis in the handloom industry. With confidence, this institution is able to withstand periodical slump in the handloom market, no doubt with the generous help given by the Government by way of loans, ways and means, advances, grants, rebates, etc. In former days wherever there was a crisis in the handloom trade, either due to shortage of yarn or due to slump in the market, the poor weavers were denied employment. During such times, the handloom weavers, in thousands used to migrate to other places in search of alternative employment. Many had to resort to begging till conditions in the trade improved. The credit for wiping out such conditions should go to the State Handloom Weavers' Society and the number of Co-operative Spinning Mills started in the State.

4.6. Though no other single cottage industry employs so many workers as the handloom sector, the plight of the poor artisans is the same as it used to be in the case of the handloom weavers. The State Handloom Weavers' Society has been built up to this magnitude with generous help from the Government. Similar help should be given to Co-operative Marketing Societies for other Industrial Co-operatives. The Madras State Handicrafts Co-operative Marketing Society started in 1961 which runs eight sales emporia including one at New Delhi, caters to the marketing requirements of the Industrial Co-operative Societies under the Department of Industries and Commerce. This society works in conjunction with the various Government emporia. The society has been sustaining heavy loss. In the interests of the artisan members of various Industrial Co-operative Societies, it is not desirable to close down this society merely because it has not been working profitably, special efforts should be made to run this society successfully, so that the benefits could be passed on to the artisans. Adequate Governmental assistance is required for this. Unlike the State Handloom Weavers' Society, the products sold in this society, are not consumer articles required by common people, but handicrafts, articles the demand for which is mostly from the richer class and foreigners. But the age old

handicraft industries have got to be preserved first to provide employment to the artisans and secondly because we cannot afford the rare arts to die. Handicrafts have flourished in this country from time immemorial only through state patronage.

4.7. The State Khadi and Village Industries Board is running several selling agencies to market the products produced by the Village Industrial Co-operatives and the Village Industrial Units. The 'Kuralagam' at Madras run by this Board is doing good work. The assistance for the sales agencies is given by the All India Khadi and Village Industries Commission.

4.8. There are two District Central Coir Marketing Societies, one at Nagercoil and the other at Salem. The working of these two societies has to be improved considerably if the primary societies are to be benefited.

4.9. The marketing of tea produced by the Co-operative Tea Factories does not present much of a problem, as all the teas produced are sold in the tea auction centres at Cochin and Coonoor. These teas are packed in cases and sold in lots. The Nilgiris Small Tea Growers' Service Industrial Co-operative Society, which is the central society for all the Co-operative Tea Factories has started packing teas in cartons of 1 kg., ½ kg., 100 grams, etc. under a brand name 'Indco' tea. This is now done in a small scale. The Government have recently sanctioned one post of Assistant Director (Industrial Co-operatives) and supporting staff to attend to marketing of tea through channels other than the auctions. The staff is yet to be appointed. This staff may be able to book orders for the tea at rates higher than what is fetched in the auctions. The sale of packaged tea can also be popularised.

4.10. The difficulties experienced by the match co-operatives in marketing their products has already been explained at length elsewhere. The anomoly of excise duty and the availability of contraband goods have affected the working of the Match Workers Societies as well as Small Match Producers' Societies which are facing a serious crisis. The Government have sanctioned one post of Assistant Director (Industrial Co-operatives) to help the Match Workers' Societies in finding market for their products. This Officer was able to secure sizeable orders for the matches, but the disparity on rates of excise duty has been the main stumbling block in marketing the goods.

4.11. The Government have sanctioned recently, one Marketing Cell with a Deputy Director (Industrial Co-operatives), three Assistant Directors (Industrial Co-operatives) etc. for assisting the Industrial Co-operatives (other than the tea and matches) in marketing their goods. The Government have also sanctioned the establishment of Handicrafts Ware house with an Assistant Director to head it. This ware house is intended to provide facilities, to private artisans, Government Units and Industrial Co-operatives. The staff for the Marketing Cell is yet to be appointed. A scheme for toning up the administration of the departmental emporia, etc., integrating the work of the Marketing cell, the Handicrafts ware house, etc., has been submitted to the Government. Orders of the Government on the proposal are awaited. The Khadi and Village Industries Board has a Deputy Director (Marketing).

4.12. The Co-operative Marketing Societies require a lot of working capital for purchasing and stocking goods. In the case of handicrafts and similar articles the goods are generally slow moving. The societies cannot therefore afford to pay high rates of interest

on the loans borrowed. It is necessary that the Government should subsidise the interest to the maximum extent possible. Besides, as already suggested, assistance during the initial stages to meet the cost of sales staff, advertisement, rebate on sales, etc., should also be given.

4.13. Marketing, depends to a great extent, on good salesmanship. No doubt, the articles available for sale should be of good quality, attractive in design, competitive in price, etc. Even if articles conforming to these requisites are available, a sales depot may fail on account of poor salesmanship. It has to be conceded that good salesmanship is not a strong point in most of the Co-operative Societies. The salesmen and sales girls are selected and appointed without reference to aptitude for the work. Nor are they given special training in salesmanship. Above all, neither is incentive given for good work nor deterrent action taken for lapses on the part of salesmen and sales girls in co-operative societies. The emoluments of sales staff should be on a salary-*cum*-commission basis. Summary action should be taken if any salesman or sales girl fails to achieve the targetted sales fixed for him/her.

CHAPTER V.

RECOMMENDATIONS.

5.1. The constitution of every Industrial Co-operative should be such that the pattern and the type of its working (Production type, service type, etc.) should be enabled to be changed without much of procedural formalities (Paragraph 1.6).

5.2. Adequate and sustained propaganda and education in the co-operative way of doing things is necessary among the members of Industrial Co-operative Societies to make them realise the ultimate benefits of the co-operative societies in improving their economic condition (Paragraph 2.1 and paragraph 3. C.1).

5.3. Industrial Co-operative Societies for weaker sections of the community should be helped for a considerable time by giving assistance in the form of (i) services of full time departmental Secretaries at Government cost, (ii) subsidy for purchase of machinery and other equipment, (iii) loans for working capital free of interest or low rate of interest, (iv) making available buildings for office, workshop, godowns, etc., on concessional rent. (Paragraph 2.9).

5.4. The present method of giving share capital loans to members of Industrial Co-operative Societies, in their individual capacity, may be replaced by a system whereby share capital loans are sanctioned to societies in lump-sums and the societies undertake to sanction the loans to indvidual members (Paragraph 3.A.4).

5.5. The present system of the Government contributing to share capital of Industrial Co-operative Societies, of the equity type, as against in preference shares should continue (Paragraph 3.A.7).

5.6. The shares allotted to the Government may be of redeemable type, but the period of redumption should be fairly long. Such redumption, in any year, without the society mobilising corresponding amount of share capital should not be permitted (Paragraph 3.A.8)

5.7. Government's participation in the share capital of a society should normally be on a matching basis, i.e., 50:50. In the case of smaller societies, however, this may be relaxed (Paragraph 3 A.9).

5.8. The Government may move the Government of India and the Reserve Bank of India for extending refinance facilities to the state government from out of the Reserve Banks National Agricultural Credit (Long Term Operations) Fund for purchasing shares in Industrial Co-operative Societies (Paragraph 3.A.10).

5.9. It should be insisted that societies, normally, use more of their owned capital and less of borrowed capital in investments on fixed assets like land, building, machinery, etc. (Paragraph 3.A.10).

5.10. The period of repayment of loans borrowed by societies for acquiring fixedasse should be reasonably long. The period however should not be too long to out-last life of the assets purchased out of the loans (Paragraph 3A.11).

5.11. Reasonable repayment holiday should be given in the case of loans granted to societies for fixed assets (Paragraph 3.A.11).

5.12. In the case of Industrial Co-operative Societies for weaker sections Government should subsidise the cost of fixed assets either in full or in part (Paragraph 3-A.12).

5.13· The industrial co-operative societies under the control of the Director of Industries and Commerce atleast the smaller societies should be enabled to get their loans at $2\frac{1}{2}$ per cent interest, as in the case of Village Industrial Co-operatives. The Government should subsidise interest in excess of $2\frac{1}{2}$ per cent (Paragraph 3.A.15).

5.14. Sanction of outright grants for working capital even to societies formed for the benefit of harijans is not of desirable. These funds may however be sanctioned as interest-free loans or loans on nominal interest (Paragraph 3.A.16).

5.15. The ratio of maximum borrowing power of a society to its paid up-share capital plus reserve fund may be progressively reduced over a period of time on the scale suggested below :—

First five working years of the society.	Ten times the paid-up share capital plus Reserve Fund.
Sixth year to the eight year	Eight times the paid-up share capital plus Reserve Fund.
Nineth year onwards	Five times the paid-up share capital plus Reserve Fund (Paragraph 3.A.18).

5.16. With regard to loans for working capital given by the Co-operative Banks, 25 per cent margin may be insisted, except that the margin may be reduced in special circumstances (Paragraph 3.A.20).

5.17. If good and potentially good societies are unable to furnish the required 25 per-cent margin, the Government may stand guarantee to the extent of shortfall (Paragraph 3.20).

5.18. In the case of loans for block capital required by *smaller industrial co-operatives*, amounts even up to 100 per cent of the value of assets purchased may be given (Paragraph 3.A.21).

5.19. With a view to create conditions under which small societies can function as viable units, the Government should give assistance, not only in the forms suggested in other recommendations but also extend tax concessions, preferential treatment in Government stores, purchase, supply adequate quantities of raw materials at reasonable prices, etc. (Paragraph 3.A.24).

5.20. The Tamil Nadu State Industrial Co-operative Bank should be given a government contribution of atleast Rupees one lakh per year to the bad debt reserve of the Bank on condition that the Bank also contributes a similar amount from out of its profits (Paragraph 3.A.26).

5.21. The Government should give preferential treatment to Industrial Co-operatives in the mattter of allotment of scares commodities (Paragraph 3.B.4).

5.22. Tax concessions or subsidies equal to taxes and duties (purchase taxes, excise duty, etc.) should be given to the metal societies (Paragraph 3.B.5).

5.23. Control over the distribution of raw materials required in match industry should be introduced to prevent mal-practices being adopted by certain unscrupulous producers (Paragraph 3.B.7).

5.24. It is necessary that there should be some method of screening "sympathiser members" being admitted in societies, and of restricting their number in each society to the barest minimum. There should also be a summary method of eliminating such members when their continuance is found to be against the interests of the societies. (Paragraph 3.C.2).

5.25. The practice of enrolling persons wholly unconnected with the trade for which societies are formed, merely for mobilising share capital should be stopped (Paragraph 3.C.3).

5.26. Notwithstanding the principle of democratic management, industrial co-operatives big or small should have nominated Boards during the probation period which may extend from five to ten years (Paragraph 3.C.5).

5.27. It is desirable that the paid Secretary of every industrial co-operative society should have a seat on the Board of management of the society (Paragraph 3.C.9).

5.28. A method by which every Industrial Co-operative Society could first be given temporary registration, for limited period, and then confirming the registration, as a permanent measure can be examined by the Government. The Tamil Nadu Co-operative Societies Act will have to be amended suitably. (Paragraph 3.C. 10).

5.29. Assistance to industrial co-operatives in the matter of marketing in the form of sales-tax concessions or rebate on sales equal to sales-tax should be given (Paragraph 4.1).

5.30. Rebate on sales, on the pattern of handloom rebate should be given to the products of Cottage Industries and handicrafts co-operatives (Paragraph 4.3).

5.31. The apex and central societies formed for the benefit of industrial co-operatives should keep a liasoin between consumers and producing societies. They should also purchase and stock goods during off-season and sell them during the seasons when there is demand (Paragraph 4.4).

5.32. All the marketing societies formed for the benefit of primary industrial co-operative societies should be given governmental help, both financial and other types, on the same pattern as the Tamil Nadu State Handloom Weavers' Society (Paragraph 4.6).

5.33. The marketing societies formed for the benefit of Industrial Co-operative Societies should be enabled to obtain working capital loans at low rates of interest (Paragraph. 4·12)

5.34. The emoluments of sales staff in Industrial Co-operative Societies and their selling units should be on a salary-*cum*-commission basis. It should be made possible to take summary action against salesmen and sales girls who fail to achieve the targets fixed for them (Paragraph 4.13).

LIST OF INDUSTRIES THAT HAVE SCOPE FOR DEVELOPMENT IN THE INDUSTRIAL CO-OPERATIVE SECTOR AND THEIR FINANCIAL IMPLICATIONS.

Serial number and name of industrial co-operative society proposed.	*Number of societies.*	*Number of persons to be benefited.*	*Cost of Scheme.* *Total cost.*	*To be raised by members as share capital.*	*To be contributed by the Government as share capital.*	*Cost of managerial and technical assistance to be borne by the Government.*	*Amount to be borrowed from financing agency.*	*Remarks.*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(RUPEES IN LAKHS).					
1 Units for the manufacture of leather auxillary chemicals ..	2	100	13·00	1·30	1·30	0·16	10·24	..
2 Units for the production of finished leather	2	200	26·00	2·60	2·60	0·28	20·52	..
3 Units for the manufacture of footwear (100 pairs per day capacity).	10	500	20·00	2·00	2·00	0·28	15·72	..
4 Goat hair (manufacture of industrial felt)	1	75	15·00	1·50	1·50	0·28	11·72	..
5 Oil Seeds (manufacture of Glecyrine, etc.)	2	400	50·00	5·00	5·00	0·28	39·72	..
6 Tapioca (manufacture of Glucose)	2	400	50·00	5·00	5·00	0·28	39·72	..
7 Tamarind (manufacture of tamarind concentrate and starch from Tamarind seeds).	5	125	10·00	1·00	1·00	0·10	7·84	..
8 Coconut (activated carbon from shells alpha Celulose and dehyrated coconut).	5	150	12·50	1·25	1·25	0·16	9·84	..
9 Palmyrah fibre (exportable varieties of brushes)	15	2,000	2·25	0·23	0·23	0·16	1·63	..
10 Tea Industry	6	3,000	96·00	9·60	9·60	0·28	76·52	..
11 Manufacture of Straw Boards and Card Boards	4	200	40·00	4·00	4·00	0·28	31·72	..
12 Preservation, Canning and Processing fruits	10	250	25·00	2·50	2·50	0·28	19·72	..
13 Cotton Seed Oil	5	150	15·00	1·50	1·50	0·28	11·72	..
14 Marine based industries	2	250	50·00	5·00	5·00	0·28	39·72	..
15 Mineral based industries—Brick and Tile	15	1,500	22·50	2·25	2·25	0·29	17·72	..
16 Garment making and Hosiery making Industry	30	1,000	10·00	1·00	1·00	6·16	7·36	..
17 Subsidy for interest to societies for weaker sections ..	200	..	7·2× 12	..	..	34·00	..	..
18 Subsidy to meet difference in excise duty for Match Workers Societies.	15	..	84·00			54·00	..	..
19 Rebate on sales to societies for weaker sections	300	..	(0·5× 15× 12 10·00× 12 120× 00	..	84·00	120·00	..	..
20 Contribution to the bad debt reserve of the Tamil Nadu State Industrial Co-operate Bank (on matching basis) at the rate of Rs. 2·0 lakhs per year.	1	..	24·00	12·00*	..	12·00**	..	*Contribution by the bank. **Contribution by the Government.
	522	9,300	769·25	57·73	45·75	303·88	361·91	

Report of the working group on

LEATHER INDUSTRY IN TAMIL NADU AT PRESENT AND PROPOSED TARGETS FOR 1983–84

PREFACE.

Tanning is one of the oldest crafts known to man. Leather Industry of India finds a place in the ancient literature.

India has very rich resources of animal population, being the single largest holder of livestock in the world. Leather Industry occupies the fifth place in the Exports from India. Tamil Nadu accounts for more than 70 per cent of the leather exports from India. The industry is mainly concentrated in the North Arcot district. A unique process known as East India (E. I.) tanning was developed in and around Madras two centuries back and the E. I. tanned leathers are since then being exported to the developed countries where they are converted into sophisticated leather goods. Since a decade back, another type of semi-processed leathers, viz., wet blue chrome hides and skins is being exported in large numbers to the East European countries.

However, this pattern of export of semi-processed leathers cannot continue indefinitely in the future. The accent now is on production of high quality finished leathers and leather products which when exported will fetch greater foreign exchange to the country. The setting up of the Central Leather Research Institute at Madras has given added importance to the development of the Leather Industry in our country. The C. L. R. I. with its network of Regional Extension Centres has been assisting the industry in solving many of their technical problems. The A. C. College of Technology and the Institute of Leather Technology at Madras are imparting the necessary training in Leather Technology to provide the technical personnel required to run the industry. The Central Footwear Training Centre, Guindy, Madras, set up in 1957, has been imparting training in Modern Footwear Technology.

It has therefore been felt necessary that a critical review of the programmes which have been implemented so far with their impact on production and, productivity be made and a programme for the future development of the leather industry for the next twelve years worked out based on the resources available and the needs.

With this idea in view, the Task Force on small scale industries of the State Planning Commission, Government of Tamil Nadu, has constituted a working group on leather and leather products to draw a perspective plan for the development of the Leather Industry in Tamil Nadu during the next twelve years The working group met on three occasions and after detailed discussions, has now brought out this report. Thiru N. Mahalingam, Chairman, Task Force on Small Scale Industries of the State Planning Commission, presided over the final meeting of the working group.

587C-51 (8)—39

I am thankful to all the members of the working group who have spared their valuable time in bringing out this report.

I am thankful to the Chairman and the Secretary of the Leather Export Promotion Council, Madras, for having provided all the facilities in conducting the meetings of the working group at their premises.

I am also thankful to my colleagues Thiruvalargal P. S. Chari, R. Srinivasan, V. V. Ratnaprasad, P. K. Velayudhan, C. D. Shinde and S. Natarajan for their assistance in drafting the report.

MADRAS,
24th April 1972.

S. NAGARAJAN,
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FINANCIAL IMPLICATIONS OF THE VARIOUS RECOMMENDATIONS IN THE REPORT.

(RUPEES IN LAKHS.)

Serial number and recommendation.	*Non-recurring expenditure*						
	Land and buildings.	*Machinery and equipment*			*Total non-recurring expenditure.*	*Recurring expenditure.*	*Total investment.*
		Indigenous.	*Imported.*	*Total machinery and equipment.*			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1 For modernisation of 250 existing E. I. tanning units to switch over to production of Finished leathers.	..	200·00	200·00	400·00	400·00	375·00	775·00
2 To set up 10new units for the production of finished leathers	15·00	20·00	45·00	65·00	80·00	50·00	130·00
3 To set up 10 common service centres	50·00	30·00	120·00	150·00	200·00	255·00	225·00
4 To set up a precision Shoe Last Factory	2·00	1·00	4·00	5·00	7·00	3·00	10·00
5 To mechanise 60 existing footwear units	..	9·00	15·00	24·00	24·00	24·00	48·00
6 (a) To set up 50 new footwear units (capacity 100 pairs per day).	25·00	12·50	12·50	25·00	50·00	50·00	100·00
(b) To set up 50 new footwear units (200 pairs per day) ..	37·50	17·5	20·00	37·50	75·00	100·00	175·00
(c) To set up 50 new footwear units (300 pairs per day) ..	50·00	37·50	50·00	87·50	137·50	150·00	287·50
7 To set up one large scale footwear unit for production of 1 million pairs of footwear for export.	5·00	5·00	10·00	15·00	20·00	30·00	50·00
8 To set up 50 leather goods units	37·50	5·00	12·50	17·50	55·00	20·00	75·00
9 To set up 6 units for manufacturing footballs/volley balls	3·00	0·50	..	0·50	3·50	1·50	5·00
10 To set up 6 units for manufacturing cricket/hockey balls ..	1·50	0·50	..	0·50	2·00	1·25	3·25
11 To set up 3 units for special type sports shoes	0·75	0·25	0·25	0·50	1·25	1·25	2·50
12 To set up one Felt manufacturing unit	1·00	0·75	0·50	1·25	2·25	0·75	3·00
13 To set up 3 units for ready to Wet sausage casings ..	1·00	0·25	0·75	1·00	2·00	1·50	3·50
14 To set up 2 Functional Industrial Estates for leather and leather products.	64·00	..	..	..	64·00	6·00	70·00
15 To set up a Marketing Organisation	10·00	..	..	..	10·00	200·00	210·00
16 To set up 5 Leather Garments units	5·00	0·50	1·00	1·50	6·50	25·00	31·50
17 To set up 5 units for manufacturing leather auxiliary chemicals.	5·00	15·00	5·00	20·00	25·00	25·00	50·00
18 To assist the existing units manufacturing leather machinery.	10·00	30·00	..	30·00	40·00	30·00	70·00
Total	323·25	385·25	496·50	881·75	1,205·00	1,119·25	2,324·25

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INTRODUCTION.

The State Planning Commission of the Government of Tamil Nadu has recently constituted a number of 'Task Forces' covering various aspects of the economy for preparing the perspective plan for the development of the State. The Task Forces would formulate the plan for each sectoral development based on an integrated approach covering (1) Sectoral profiles and Long-Term planning and (2) District Planning and Data collection. Thiru N. Mahalingam is the Chairman of the Task Force on Small Scale Industries.

2. The Task Force on Small Scale Industries constituted by the State Planning Commission in its second meeting held on 28th December 1971 formed a "Working Group on Leather and Leather Products" to prepare a perspective long term plan for the economic development in the field of Leather Industry in Tamil Nadu. This Working Group will prepare a total plan covering the sphere of village, cottage, medium and large scale industries. Thiru S. Nagarajan, Director, Small Industries Service Institute, Madras, is the convenor of this Working Group. The other members of the Working Group are :

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Terms of Reference.

(i) The resources endowment, the present pattern and intensity of its utilisation ;

(ii) a critical review of programmes which have been implemented during the last two decades and their impact on production and productivity ;

(iii) directions of future development based on resources and needs which includes the broad strategy of development and a complete inventory of on going projects as well as the shelf of new projects which are proposed to be taken up in future ; and

(iv) the task forces will spell out constraints to development also.

3. MEETINGS :—

The working group help its first meeting on 20th January 1972 to suggest the guidelines for preparing the Draft Report. The second meeting was held on 16th February 1972 to discuss the detailed notes prepared by various members. Based on the discussions, the Draft Report of the Group was prepared and was finalised by the Group at the final meeting on 5th April 1972.

PART I.

LEATHER INDUSTRY IN TAMIL NADU AT PRESENT AND PROPOSED TARGETS FOR 1983-84.

1. Leather industry is one of the important industries of India. This industry provides full and part-time employment to a large number of people especially belonging to Backward Classes. According to the National Income Committee Report, the total number of persons engaged in this industry has been estimated to be 8·1 lakhs which worked out to 7 per cent of the total labour force employed in all small enterprises. Out of these, about 1·29 lakhs are employed in Tanning and fnishing and 6·81 lakhs in the manufacture of footwear and other leather products. The leather industry is thus eminently suited for development on a labours intensive basis. The Industry occupies also a unique position in Indian economy by its contribution to the valuable foreign exchange earnings as the fifth largest exporter from the country. The total export of leather and leather products including footwear amounted to Rs. 86·17 crores during the year 1970–71. The contribution of Tamil Nadu is estimated at Rs. 55 crores. Measures for the development of this industry will go a long way in providing employment to a large number of persons and also improve the socio-economic conditions of the personnel employed in this industry.

2. There are about 559 small scale units and 16 large scale units in Tamil Nadu engaged in Leather and allied industries. Product-wise break-up of these units is as follows :—

	Large scale units.	*Small scale units.*
(1)	(2)	(3)
1 E. I. Tanning	6	324
2 Village Model Tanning units	..	17
3 Finished leather	3	27
4 Leather Footwear	2	110
5 Leather Goods	..	40
6 Textile leather	2	11
7 Leather sports Goods	..	1
8 Leather board	1	..
9 Tannery hair processing unit	..	6
10 Glue manufacturing unit	1	6
11 Sausage casings	..	1
12 Leather Auxiliaries	..	6
13 Tanning and footwear machinery	1	10
	16*	559

* More than one item of leather are being manufactured by some of the large scale units.

3. The leather industry in Tamil Nadu State is well known all over the world for its E. I. tanned hides and skins. A good network of tanneries both in the large and small scale sectors in Tamil Nadu is spread out mostly in Madras, Ambur, Vaniambadi, Pernambut, Ranipet, Vinnamangalam, Salem, Dindigul, Erode and Tiruchirappalli Centres. They provide good scope for expansion in the production of leather and leather products especially in respect of finished leather, leather goods and footwear. Production of leather chemicals and other leather auxiliaries is further tobe encouraged for attaining self-sufficiency and dispensing with imports. The development of leather industry is not complete in the absence of industries manufacturing machinery required for tanning and finishing and production of footwear and leather goods. Hence, it is desirable to promote engineering units in Tamil Nadu for producing machinery for leather industry.

4. India's exports of leather and allied products excluding tanning materials and tanning machines for the last 6 years were as follows :—

	(RS IN CRORES).
1965–66	42·74
1966–67	80·94
1967–68	68.81
1968–69	85·60
1969–70	97·96
1970–71	86·17

Exports of item-wise leather and allied products including tanning materials and tanning machinery for the last 6 years are given in Annexure I.

5. An export target for the country as a whole and Tamil Nadu in particular to be achieved by 1983–84 has been suggested by the Working Group as Rs. 150 crores and Rs. 76 crores respectively. Item-wise targets for export by 1983–84 for India and Tamil Nadu are as follows :—

	1983–84 *targets (All-India).*	1983–84 *targets (Tamil Nadu).*	*Percentage of Tamil Nadu exports on All-India exports.*
	(RUPEES IN CRORES).		
E.I. Tanned Leather	30·00	24·00	80
Pickled Learther	..	..	..
Wet Blue	15·00	9·00	60
Finished Leather	50·00	25·00	50
Footwear	45·00	15·00	33·3
Leather Goods	5·00	1·25	25
Reptile Skins	2·00	1·50	75
Bristles and Goat Hair	3·00	0·25	8·3
	150·00	76·00	50·67

The above estimates are based on the current prices. It is expected that by 1983–84 there will be an increase of 25 per cent in prices on the present value.

6. Since the Tamil Nadu State has a well developed leather industry, which is mainly export-oriented, it would not be difficult for this State to achieve an export target worth Rs. 76 crores by 1983–84, by promoting the enterprices with a phased programme.

7. In the case of leather industry even small scale units employing 50 or more workers with the aid of power or 100 or more persons without power are covered under the Industries (Development and Regulation) Act, 1951. These units even for puposes of diversifying their production will have to obtain permission from the Industrial Licensing Committee.

PART II.

(1) Hides and Skins.

(i) *Hides and skins in India* :— According to 1961 census the total livestock population in India was 33·64 crores of which that of Tamil Nadu was 2·46 crores. As per 1966 census the livestock population in India increased to 34·43 crores while that of Tamil Nadu remained almost the same. Details of livestock resources according to the Census conducted during 1961 and 1966 are given in Annexure II.

The animal population by 1983–84 is estimated to be as under—

	1968–69.	1973–74.	1983–84.
(1)	(2)	(3)	(4)
	(FIGURES IN LAKHS).		
Cattle	17,51	17,51	17,51
Buffalo	531	550	583
Goat	660	700	784
Sheep	421	441	481
Total ..	33,63	34,42	35,99

India's import of raw hides and skins during 1970–71 was worth Rs. 1·43 crores and Rs. 0·15 crores respectively.

It is expected that with the diversifications envisaged, Tamil Nadu would account for about 80 per cent of tanned leather and 60 per cent of finished leather out of the total exports from this country.

The All-India availability of hides and skins is estimated as follows :—

	(MILLION PIECES.)
Cattle hides	17·55
Buffalo hides	9·09
Goat skins	36·36
Sheep skins	29·53

(ii) *Hides and skins in Tamil Nadu*:—At present 80 per cent of the tanned hides and 50 per cent of the finished leather exported are from Tamil Nadu. It is therefore clear that in Tamil Nadu the supply of raw hides and skins is at present met by incoming quantities from other States and imports.

(iii) *Problems regarding the adequate availability of Hides and Skins* :

At present no attention is being paid in this State for getting an adequate quantity of hides and skins. It is stated that the State is losing nearly a crore of rupees due to faulty flaying. The future situation with regard to supply of raw skins, the bulk of which comes from other States, looks not bright, due to the possibility of development of tanning industry in other parts of the country. There will be a marginal increase only in the availability of hides and skins by 1983-84.

(iv) *Recommendations* :

1. Export of raw skins should be completely banned.

2. In order to keep up the tempo of production, import of hides and skins for being processed in this country for export, is necessary.

3. If pickled skins are allowed to be imported freely without duty the export from the country could be increased considerably. The Government's insistence on giving a guarantee by the importing tanner to the effect that he will process the imported skins and export all such skins is a cumbersome procedure and not at all necessary, when the Government could allow the import of such items without payment of duty.

4. Three per cent purchase tax on raw hides and skins is being collected in this State whereas in other States such purchase tax is not levied. This purchase tax is a disincentive for this industry. The State Government could therefore review the policy.

5. The Animal Husbandry department of the State Government in consultation with the Indian Hides and Skins Improvement Society should launch suitable programmes for the development of a large scale cattle, goat and sheep farming along with meat industry. Action in this direction will not only increase the local supply of hides and skins but also ensure the quality of hides and skins.

6. The Corporation of Madras should set up a modern slaughter house, besides the other Municipal Corporations should modernise their slaughter houses, by availing of the Central Government assistance in modernising slaughter houses through subsidies.

7. All-India Khadi and Village Industries Commission may consider an intensive programme of counducting flaying demonstration in various centres in Tamil Nadu both towns and villages and educate the unskilled flayers in improved methods of flaying. For this purpose, unemployed trained flayers in the State can be suitably employed.

8. The State Government should encourage by giving permission for good flaying to flayers in organised slaughter houses.

9. The Veterinery Department of the Government of Tamil Nadu should carry on propaganda so as to discourage branding of animals which lowers the value of hides.

(2) E.I. Tanning and Wet Blue Tanning.

(i) *E.I. and Wet Blue Tanning in India* :

Some of the E.I. Tanning units have also taken up wet blue tanning for exports for which they have added a few drums and other equipments. Exports of E.I. tanned hides and skins from the country during 1970–71 and 1971–72 were to the extent of Rs. 44·40 crores and Rs. 57·15 crores respectively. The estimated All-India export target for E.I. tanned leather by 1983–84 is worth Rs. 30 crores. The export of wet blue chrome hides and skins which was to the extent of Rs. 24·5 crores in 1970–71 has fallen down to Rs. 18·45 crores during 1971–72. In view of the fact that more and more of finished leather has to be produced, the quantity of E.I. tanned leather and wet blue produced in this country principally for export will go down and the committee has set target for export of E.I. tanned leather at Rs. 30 crores and wet blue at Rs. 15 crores by 1983–84.

(ii) *E.I. Tanning and Wet blue Tanning in Tamil Nadu* :

The target for export of E.I. tanned leather for 1983–84 from Tamil Nadu is 24 crores and that for Wet blue is Rs. 9 crores.

(iii) *Problems* :

1. The existing E.I. tanning and wet blue tanning units are practically mechanised for all their wet operations. As a matter of fact they have got excess capacity built in due to the mechanisation, but corresponding availability of hides and skins is not there. In view of the decrease envisaged in the E.I. and wet blue, these units have to diversify their production to manufacture various types of finished leather.

2. The availability of vegetable tanning materials has become acute, even though wattle bark and wattle extract are allowed to be imported under O.G.L. Even a material like the myrabalam is not adequately available as it is reported that the Government of Madhya Pradesh has taken up the collection and sales of this product.

3. In the case of basic chrome tanned crystals also great difficulty is experienced in getting them in adequate supply.

(iv) *Recommendations* :

1. The existing E.I. tanning and wet blue units should be encouraged to take up manufacture of finished leather. For this purpose every year 50 units may be taken up for intensive development and necessary assistance given in terms of equipment and other aids to take up this diversification.

2. As E.I. tanning should continue to operate, the Government of M.P. may be requested to make myrabalam available freely.

3. The disposal of effluents of the existing units is a big problem and Government of Tamil Nadu may subsidise the units in setting up effluent treatment plants.

(3) FINISHED LEATHERS.

(i) *Finished leather production in India* :

There are about 35 units in the organised sector engaged in the production of chrome tanned and finished leather in India. These units are concentrated in Calcutta, Kanpur, Bombay and Madras. The investment in this sector in the country is estimated at Rs. 1·45 crores with an annual installed capacity of 19 million pieces, employing about 9,000 workers. Besides this, there are about 200 units in the unorganised sector owned mostly by Chinese tanners situated in Calcutta. These units produce chrome upper leather. The total investment in the unorganised sector in the country is estimated to be Rs. 1·1 crores providing employment to about 2,500 persons. The total annual production of finished leather in India has been estimated at Rs. 31·1 crores in the year 1965–66. The export of finished leather from the country during 1970–71 was worth Rs. 1·93. crores. The All India Export target for finished leather by 1983–84 is estimated to be Rs. 50 crores.

(ii) *Finished Leather Production in Tamil Nadu* :

There are 3 large scale units and 27 small scale units in Tamil Nadu producing finished leather items such as clothing leather, chrome upper leather, hand grained moracco leather, finished reptile skins and coloured kattai leathers. The total value of finished leather in organised units in Tamil Nadu during 1965–66 was about Rs. 151·22 lakhs. Particulars of exports of finished leather are given in Annexure I. The extimated target for export from Tamil Nadu by 1983–84 is Rs. 25 crores.

(iii) *Problems* :

1. Finished leather exports from the country constitute only 1·89 per cent of the total exports of leather industry. Finished leather industry is a fashion sentitive item. Finished leather required by the various footwear manufacturers have to be supplied within as short a time as between 2 to 3 weeks. The Indian industry even with adoptioning air cargo system finds it very difficult to adhere to such strict time delivery schedule. In a number of cases, dyes and special leather auxiliaries have to be imported.

2. The existing quality of hides in this country is also very poor and it takes all the ingenious times of the Indian tanner to work out processes to produce a good leather out of the bad hides available in this country. Manufacture of finished leather requires standard machinery and it appears that some of the importers feel satisfied only when they find imported machinery in the units as a guarantee for Indian tanner to make acceptable finished leather.

3. The importer at the other end usually prefers to place orders for bulk quantities but the existing tanning and finishing units try to manufacture all types of finished leather under one roof which is a disadvantage.

(iv) *Recommendations* :

1. We have a fine infrastructure in the existing modern E.I. and wet blue tanning units in this country, which are fully eqiupped, in their wet processing division and these units are to be assisted in diversifying their production to take up the manufacture of

finished leather. Every year at least 50 units are to be chosen on an intensive basis to provide them with suitable finishing machines, imported and indigenous. Thus practically all the existing vegetable tanning/wet blue tanning units could be converted into finished leather units within the first 5 years of the introduction of this programme. These units can be expected to convert at least 50 to 60 per cent of their production into finished leather.

2. Units may be assisted and advised to concentrate on one or two allied items of finished leather rather than manufacturing multifarious items as this will assist units in making bulk supplies for export.

3. In order to help the smaller of the small scale tanning and finishing units, these units should be brought into developed plots, and provided with Common Facility Services like the Leather Finishing Centre, Erode, which will help the smaller units also to participate in the development of this industry in an effective manner. This should be attempted in places like Ambur, Vaniambadi, Erode, Ranipet, Melvisharam, Pallavaram etc. For the export of the finished leather, as already indicated, there are special dyes, leather auxiliaries not manufactured in India that are made available within a short period of days. It may be worthwhile if some of the leading dyes/leather auxiliaries companies are persuaded to stock some of the sophisticated dyes/leather auxiliaries in Bonded warehouses, wherefrom the tanner can get his requirements without delay against his export replenishment import licence.

4. Attempt may also be made to start at least 10 finishing units to process 150 to 200 hides per day or about 1,500 per day principally for export.

5. The State Government should set up a high powered marketing agency for finished leather, footwear and leather goods. This organisation should look after internal sales and export. This organisation should keep liaison with State Trading Corporation for exports.

6. Finished leather units do not get proper selections of raw hides for making finished leathers for the export market. It is complained that good quality hides are processed as E.I. leathers. It is hoped that with a lower target for E.I. leathers suggested for 1983–84, in this report, the surplus raw hides available may be converted as finished leathers.

7. The international prices for finished leathers are not attractive as there is keen competition from a number of countries. The cost of production of finished leathers in India tends to be high because of the higher cost of raw materials and auxiliaries and imported machinery. The developed countries manufacture their own chemicals and auxiliaries and machinery and devoid of any duty, the cost of such items in those countries will be appreciably less. Further, such units in developed countries are fully machanised and modernished with resultant increase in productivity and reduction in cost of production. The high incidence of import duty in India (in certain cases at 100 per cent) on imported chemicals and auxiliaries and machinery and excise duty on indigenous items tend to increase the cost of production of finished leathers in India. Though drawback of duty is given in respect of exports, the experience of the industry is that it takes a fairly long time to realise such duty drawbacks. It is suggested that the present levy of import duties and excise duties should be reviewed and the procedure for duty drawback be simplified.

8. The marketing and sales promotion techniques followed by the Indian manufacturers are not effective. Modern marketing techniques should be adopted. Detailed commodity surveys on important segments of finished leathers may be undertaken.

9. The internal prices for finished leathers are quite attractive and hence with an assured internal market, there is not much enthusiasm to look to the export market, which perhaps may require greater incentives than at present.

(4) LEATHER MANUFACTURERS (TEXTILE LEATHER).

(i) *Leather manufacture in India* :

Pickers, picking sands, ginning washers and other textile accessories, industrial beltings and washers are classified under leather manufacturers or industrial leather goods. There are 7 large scale units in the country producing these items. Exports of leather manufactures from the country during last three years are as follows :—

	(RUPEES IN LAKHS.)
1968–69	62·34
1969–70	69·21
1970–71	54·96

Though exports decreased in 1970–71 there is sustaining export market.

(ii) *Leather manufacture in Tamil Nadu* :

In Tamil Nadu there are 2 units in large scale sector and 6 in small scale sector manufacturing industrial leathers. Annual production of small scale units is estimated at Rs. 25 lakhs.

(iii) *Recommendations* :

This industry is practically at an underdeveloped stage as far as this State is concerned especially so in the small scale sector. The existing units are to be given necessary assistance in terms of finance/subsidies towards mechanisation and also market intelligence to develop their exports.

(5) LEATHER SPORTS GOODS.

(i) *Leather Sports Goods in India* :

The sports goods industry in India is concentrated in Punjab State especially in Jullunder and Meerut in U.P. The recent survey on production and export prospects for sports goods conducted under the auspices of the Ministry of foreign Trade and the U.S. Aid reveals a good scope for export of Indian Leather sports goods. India's exports of leather sports goods in the last three years were given below :—

	(RUPEES IN LAKHS.)
1968-69	12·84
1969-70	12·29
1970-71	20·61

(ii) *Leather Sports Goods in Tamil Nadu* :

There is good scope for developing this industry in Tamil Nadu since raw materials are available locally. The skills are to be developed and there is acute need for a training centre for leather sports goods to be set up at Madras.

(iii) *Problems* :

The main battleneck in the field of leather sports goods in the absence of adequate and well organised production of such items as foot balls, hand leather balls, sports shoe uppers and productive equipment like wicket keeping, base balls and ice hockey gloves and suits for batsman.

(iv) *Recommendations* :

1. This is unexplored sector of the industry as far as this is concerned. A beginning should be made to develop at least six units for the manufacture of foot balls/ volley balls/base balls, six units for the manufacture of hockey and cricket balls, three units for the manufacture of special type sports shoes.

2. The Government of Tamil Nadu may set up training-*cum*-production centres for leather base sports goods.

6. LEATHER GOODS INDUSTRY.

(i) *Leather goods in India* :

Leather travel goods such as suit cases, brief cases, attached cases and bags are much in demand both in internal and international markets. Other items such as leather belts, purses, pass port cases, key rings, bill folds, wallets, jewellary boxes, instrument cases, leather gloves, leather jackets, coats and jerkins, transistor and radio cases, cases for cameras, binoculars, musical instruments, etc. have got good scope for export. India's share in the world trade in leather goods is hardly one per cent.

India's export of leather goods for the last three years are as follows :—

(RUPEES IN LAKHS.)

1968–69	39.13
1969–70	91.31
1970–71	93.53

The estimated All India export of leather goods by 1983–84 is worth Rs. 5 crores.

(ii) *Leather goods in Tamil Nadu* :

In Tamil Nadu there are about 40 units in small scale sector and their annual production is estimated at Rs. 25 lakhs. The estimated export of leather goods from Tamil Nadu by 1983–84 is to the extent of Rs. 1.25 crores.

(iii) *Recommendations* :

1. With the increase of production of finished leather envisaged in the State the only Corollary will be that a portion of such finished leather should be converted into leather goods. These being fashion items have to necessarily have sophisticated fittings both metal and plastic. In the initial stages, it may be necessary to allow the imports of these fittings at a liberal basis. But at the same time local small scale units should be encouraged to produce sophisticated fittings for this State.

2. The fashion trend in overseas markets have to be continuously fed to this industry and it may be worthwhile if a centralised marketing organisation for leather goods and also leather foot wear could be developed. This organisation could not only take care of the internal marketing but concentrate on the export marketing also.

7. LEATHER FOOTWEAR.

(i) *Leather Footwear in India.*—The production of leather footwear in India during 1965-66 was about 140 million pairs. The estimated production of footwear in the country during 1969-70 was 156 million pairs, out of which the production from large scale sector was estimated to be 18 million pairs while the production from the small scale was in the region of 45 million pairs and the remaining 93 million pairs was from the cottage sector. The trend of exports of leather footwear from the country during last 7 years was as given below :—

	(RUPEES IN CRORES.)
1964-65	3·48
1965-66	4·30
1966-67	6·69
1967-68	7·52
1968-69	7·10
1969-70	7·03
1970-71	9·09

The working group has suggested an export target of leather footwear worth Rs. 45 crores for All-India by 1983-84 and Rs. 15 crores from Tamil Nadu.

Besides the production trend of leather footwear by 1983-84 has been estimated as follows :—

	(MILLION PAIRS.)
1973-74	200
1978-79	275
1983-84	375

(ii) *Leather Footwear in Tamil Nadu* :

In Tamil Nadu there are 25 registered and 35 unregistered small scale units and one large scale unit engaged in footwear production. The total production in Tamil Nadu was estimated at Rs. 70 lakhs for the year 1970–71.

(iii) *Problems:*

In spite of Tamil Nadu having the largest number of tanneries and producing finished leathers of competitive quality for internal consumption and export, much attention is not being given to footwear manufacture. In fact the industry has not grown out of its cottage stage and the traditional cobbler still dominates as the artisan. The industry is mainly manual labour oriented. The majority of population use only chappals, in preference to lacing shoes, slip-ons, etc., which are patronised mostly by the upper class in the society. Today over 80 per cent of the demand for chappals and 10 per cent of

the demand for shoe are met by the production within the State. The local production of footwear is meagre due to lack of skilled workers particularly in designing and finishing. Though the persons trained in machine operation are available, they are unable to adjust themselves to the industry which at present is mainly labour oriented. Small entrepreneurs are starved for lack of essential machines. Another problem of the footwear industry in this State is the marketing of the product. In the absence of mechanisation the manufacturing cost of the product is more.

(iv) *Recommendations*:

1. Attempts should be made to develop the following types of units :—

(1) 50 units each with 100 pairs daily capacity per shift.

(2) 50 units each with 200 pairs daily capacity per shift.

(3) 50 units each with 300 pairs daily capacity per shift.

2. In order to decentralise the production of leather footwear, new units, preferably in small scale sector, should be encouraged.

3. Where large scale units come up with or without foreign collaboration for exclusive export of leather footwear, they should be encouraged to go to the rural industries project areas or backward areas by giving suitable incentives.

4. A high powered marketing organisation should take up the marketing net work and should market the products under a single brand name.

5. Measures should be taken for setting up mechanised leather footwear units.

6. The traditional footwear manufacturers should be made machine minded by providing modern designing, finishing and machine operation training facilities. Machines and tools should be supplied to such units on easy instalment basis. Clusters of shop type linemants may be built up to accommodate these artisans.

7. Techinal entrepreneurs should be encouraged to set up new leather footwear units.

8. Rubber sole/PVC-sole will predominate as the soling materials as leather soles are likely to be encouraged only in footwear for export. Hence units to manufacture sponge rubber soling material are to be encouraged. Existing plastic injection moulding units can produce PVC heels and soles.

9. Precision last is a must for standard footwear. One last making unit preferably using plastic blocks may be set up in Madras.

10. The excise duty on footwear is hampering mechanisation. This has to be at least abolished in the case of small scale units.

11. Industrial Estates/Sheds, even if multi-storey type, are to be set up for housing modern small scale footwear leather units. As the machines are light, such structure is favoured and could be located near the residence of workers.

8. Tanning and Footwear Machinery.

(i) *Tanning and footwear machinery in India*:

Mechanisation is one of the important factors for improving the productivity in the leather industry. Tanning industry has already taken up mechanisation and achieved considerable progress in it. But footwear leather goods and sports goods industries have not yet developed so far. While mechanising the leather industry, we should try to substitute imported machines and tools as far as possible. For indigenous fabrication of improved tools and machinery in the initial stage it is considered better to start units with foreign collaboration instead of resorting to import of machinery and tools.

2. The demand for leather and leather goods machinery is increasing owing to mechanisation of units. Besides the rising demand for leather and leather goods is encouraging the manufacturers to introduce the right type of machinery in required numbers. There are about 20 units in the country engaged in the production of machinery required for leather industry. A list of machinery for leather industry being manufactured indigenously is given in Annexure IV. However, a number of machines are being imported. Imports of leather and footwear machinery for the last three years are indicated below :

	(RUPEES IN LAKHS.)
1968–69	80·65
1969–70	40·69
1970–71	59·98

3. A list showing estimated requirements of leather machinery in the country during Fourth Plan period is given in Annexure V.

(ii) *Tanning and footwear machinery in Tamil Nadu*:

There are 11 units engaged in the production of tanning machinery in Tamil Nadu. These units produce machinery worth Rs. 2·66 million per annum. Exports of tanning machinery from Tamil Nadu for the last three years are given below :

	(RUPEES)
1968–69	69,070
1969–70	2,25,048
1970–71	3,26,611

The target for Tamil Nadu in respect of machinery for leather industry by 1983–84 may be fixed at Rs. 2·5 crores.

(iii) *Recommendations*:

In view of the existence of a very good infrastructure for the manufacture of standard machinery, encouragement should be given to the existing units to take up sophisticated type for machinery and tools by allowing them to import essential components.

2. Tanners who are manufacturing E. I. Tanned leather and blue chrome should be encouraged to modernise their units for the manufacture of finished leather/leather footwear/leather goods by giving a drawback upto 2 per cent in the export duty (upto one-fifth of the export duty) in the case of imported machinery, and 4 per cent in the export duty (upto two-fifth of the export duty). This can be allowed against the actual purchase of machinery and equipment with a proviso that the parties should not sell these equipment at least for the first five years and they should work at least one shift.

3. Technical entrepreneurs should be encouraged to set up new units.

4. As small quantity requirements of machinery and tools cannot be manufactured economically those items should be either imported or units having spare capacity should be encouraged to manufacture those items with foreign collaboration, if necessary.

5. To improve the quality of the machines, indigenous manufacturers should be asked to specialise in their respective fields.

6. Technical persons should be trained for specific requirements.

7. As there is a proposal under the consideration of the Government of India to set up a Proto-type centre for the production of Leather and Footwear machines in Madras, Government of India should be requested to take up the work relating to the development of components required by the leather goods industry.

(9) Leather Auxiliaries.

(i) *Leather auxiliaries in India.*

Leather auxiliaries play a very vital role in the transformation of raw hides into high quality leathers. Vegetable tanning materials such as wattle bark extract, quetracho extract, gambier extract are being imported. Besides finishing items such as dyes, resin emulsions, lacquer emulsions and a lot of other chemicals and auxiliaries are also being imported. The imports of tanning materials for the last two years were as follows :—

	(Rupees in crores.)
1969–70	3·24
1970–71	3·79

At present some of the tanning materials are being exported from the country. India's exports of tanning materials during the last three years are indicated below :—

	(Rupees in lakhs.)
1968–69	35·17
1969–70	57·09
1970–71	57·22

(ii) *Leather auxiliaries in Tamil Nadu.*

In Tamil Nadu there are six units producing leather auxiliaries such as pigment pastes, fat liquors, binders and syntans, etc. The annual production of auxiliaries from these units is estimated at Rs. 8 lakhs. The requirements of chemicals and leather auxiliaries by the leather industry in Tamil Nadu in the next 15 years are given in Annexure III.

(iii) *Problems.*

Most of finished leather manufacturers feel that supplies of the requisite finishing materials are not forthcoming due to restricted imports. The time lag involved in obtaining such imported materials also comes in the way of facing, the competition from the finished leather manufacturers abroad.

(iv) *Recommendations.*

1. In order to reduce the import of wattle extract and attain a self-sufficiency in the long run, systematic plantation of wattle should be considered.

2. The sources of supply of myrob from Mysore State have to be tapped.

3. Government of India should formulate national policy on conservation and collection of myrobalam.

4. Intensive work should be done on minimising the use of myrob in E.I. tanning and a technology should be developed to avoid the use of myrob in E.I. tanning.

5. The import of the following items should be made easy :—

(1) Wattle extract for the next 10 years.

(2) Formic and phthalic acids.

(3) Mercury compounds.

(4) Dimethylamine and sodium sulphydrate.

(5) Enzymes.

(6) Calcium formate.

(7) White syntans and shrunken grain syntans.

(8) Synthetic fat liquors.

(9) Raw materials for synthetic resins.

(10) Casein.

(11) Fine Pigments.

(12) Dyes .

(13) Nitro-cellulose and solvents.

(14) Urethane, pearl and metallic finishes.

(15) Metallic foils.

6. For manufacturing chrome tanning agents and other auxiliaries, five units should be set up in the small scale sector.

(10) Village Leather Industry.

Village leather industry is one of the industries coming under the purview of the Khadi and Village Industries Commission, Bombay. The village leather industry is classified under the following broad heads :—

(1) Flaying and carcasses recovery.

(2) Tanning and finishing.

(3) Footwear and leather goods.

With a view to develop the quality of tanning the Khadi and Village Industries Commission started with extending knowledge about scientific flaying to the flayers in the rural areas. It is stated that the State is losing nearly a crore of rupees due to faulty flaying. The Khadi and Village Industries Commission sanctioned 65 flaying centres. Each flaying centre is manned by a trained flayer. These 65 flaying centres in the last 14 years covered all the flayers in the rural areas and taught them correct method of flaying and preservation of hides and skins. When the emphasis was on the conservation of local manurial resources all these flaying centres were equipped with a bone digester to collect the raw bones, steam them under pressure, pulverise and sell the bone meal for manurial purposes. With the advent of fertilizers like super phosphate and the general trend in the farmers going in for manure mixtures for specified crops the demand for steamed bone meal has greatly dwindled. Hence the Tamil Nadu Khadi and Village Industries Board has taken a decision to close all the centres except four.

2. However the recovery of carcasses in urban areas like the cities of Madras, Madurai, etc., still remain to be tackled. The Tamil Nadu Khadi and Village Industries Board has given financial assistance to the Corporations in Madras and Madurai for setting up of intensive flaying centres which will look after the collection of all dead animals within the city limits and recover all the bye-products from them. These two units are being set up by the two Corporations. It may be necessary to set up similar units in other big municipalities in the State.

3. *Village Tannery.*—Tanning is the most important aspect of the leather industry specially for Tamil Nadu. The tanners belong to the lowest strata both economically and socially and hence need to be tackled adroitly and equipped with modern knowledge about their profession. According to the 1961 Census the number of persons engaged in different aspects of the leather industry is reported as follows :—

	Total.	*Self employed.*
(1)	(2)	(3)
(i) Currying, tanning and finishing of hides and skins and preparation of finished leather	16,886	1,912
(ii) Manufacture of shoes and other leather footwear ..	10,439	6,339
(iii) Manufacture of leather products such as leather upholstry, suit cases, pocket books, cigarette, key cases , saddlery, whip and other articles	13,306	8,569
(iv) Repair of shoes and other leather footwear	22,243	15,925
(v) Repair of all other leather products except footwear ..	2,652	1,886

4. It may be seen that a very large number of tanners still remain in the rural areas and are mostly self-employed. They have been mostly concentrating on the tanning of hides for supply to the cultivators as water buckets for irrigation. With the speedy extension of electricity and the switchover to pumpsets in nearly 80 per cent of the villages the tanners had to loose a very big market for their products. In order to meet this situation the Tamil Nadu Khadi and Village Industries Board organised a number of village model tanneries where there were concentration of tanners. The Model Tanneries main purpose was to teach improved techniques of tanning so that they could diversify production to meet the growing demand from the footwear industry. With this purpose each model tannery has been put under the care of trained foreman-*cum*-supervisor. The foreman-*cum*-supervisor teaches whatever improvements are necessary in the local tanning to the tanners depending on the requirements of the area. The tanners are allowed to utilise the facilities provided in the tanneries and pursue their profession. What the Khadi Board has done will obviously not touch all the tanners. A large number of rural tanneries have not yet reaped the benefit of the several technological changes that have entered the tanning profession. Being indigent they have no organisation on their own. Since they were socially also backward their cause has not been taken up in right earnest by other sections of the community. Often the organised section of the tanning trade has interested itself in export, while the village tanners have played a very useful role in meeting the leather needs within the country. With a view to organise them to meet the growing internal need a large number of co-operatives will have to be formed wherever there are concentrations of tanners. These co-operatives should be of the service type and should not take up production on society's account. They should provide the technical guidance, credit needs, the tanning materials and marketing. On a very rough estimate it can be taken that each tanner will be able to earn Rs. 900 per year and produce goods worth Rs. 9,000 annually. On the basis of the Census figures it can be taken that village tanners account for a total production of Rs. 1·72 crores. Their credit needs will be roughly Rs. 70·00 lakhs per year. In order to provide the leadership of the community the societies should be provided with managerial assistance by the State for the next 10 years, free of cost. Except this the other assistance should be in the shape of loans.

5. These societies should also have an apex organisation where facilities for the retanning and finishing of the products of the tanners will be available. It may be estimated that one centre will be necessary for every 100 tanners. The cost of such a finishing centre would be roughly Rs. 2·50 lakhs.

6. According to the 1961 census there are 14,908 cobblers who are self-employed. It is necessary that a scheme is drawn to benefit all these cobblers with adequate aid and technical assistance. Assuming that each cobbler would be earning Rs. 1,500 annually and accounting for a production of Rs. 10,800 per annum it will be seen that the self-employed cobblers produce Rs. 16·1 crores worth of leather goods. Most of the cobblers are now pursuing their trade in urban areas where there is a market for their footwear. A link should be established between the tanners and the cobblers so that the products produced by the tanners are utilised by the cobblers. Hence marketing societies linked with tanners societies will have to be formed. The cobblers will be made members of the marketing societies to be located in places where goods are sold. The marketing socities will provide all the materials required by the cobblers. These marketing societies will

also function as a service society and will not undertake production on the societies account but will take up quality control work and finishing of footwear in order to open new avenues of sale for their products. For a group of 100 cobblers a marketing society will be necessary. 14,908 number of cobblers will become members of the marketing societies. The marketing societies will have to be provided financial assistance for its functions like quality control, finishing, market intelligence which will be roughly Rs. 1 lakh per society.

7. Apart from the cobblers who produce leather goods there are a number of artisans according to 1961 census who look after repair work. There are 17,811 such members in the State. They are also largely concentrated in cities and urban areas. The following will be the assistance which they would need :—

(i) providing sitting accommodation at prominent places in the cities and towns.

(ii) supply of modern tools like clicking knives, punching machines, wooden lasts at free cost.

(iii) supply of raw materials like upper-leather, sole leather, rubber sheets and grinderies at reasonable prices.

8. It will be seen from the above that the organisation of the existing tanners and cobblers not employed by the organised sector is important, they being socially backward. Their probelms will have to be sorted and analysed not strictly from the commercial aspect but from the human approach. Their role should be to meet the growing internal market for leather and leather goods largely. They should however be encouraged to enter the export trade also on their own leadership. These will be in consonance with the accepted principle of social justice guaranteed in the constitution.

9. The programme now undertaken by the Tamil Nadu Khadi and Village Industries Board is abstracted below :—

Seial number and category.	*Number.*
1 Village Model Tanneries	19
2 Tanners Co-operative Societies ..	53
3 Footwear units	21
4 Marketing depots	9
5 Chrome Tannery	1
6 Training Centre	1

(11) *Marketing.*

One of the main problems of internal marketing is the lack of reliable statistics regarding availability of raw hides and skins in the country as a whole and in various States. It is therefore necessary that a detailed survey f the availability of raw materials is done and the position reviewed periodically.

2. At present, the raw hides and skins from the producers pass through a number of intermediaries before they reach the consumer viz. The tanner. The actual producers are not aware of the price trends and the benefits of the price fluctuations are enjoyed by the intermediaries. The system of collection of raw hides and skins has to be improved and the intermediaries should be eliminated. If a suitable machinery is set up to collect the raw hides and skins immediately, quality of raw hides and skins may be improved by adopting better methods of curing. Proper methods of flaying also could be enforced to eliminate a number of avoidable defects in the hides.

3. In view of the large number of exporters who book their export orders independently of each other, there is severe competition in the local markets for purchase of hides and skins and the small units are finding it difficult to procure their requirements. The supply of hides and skins being inelastic and with very high demand levels existing in foreign markets, the competition for raw materials severly restricts the staying power of small tanners who tend to be squeezed out. It is suggested that the small tanners may organise themselves into small groups, each group dealing with a specific item or group of items. This will increase their competitive power and may ensure survival in a difficult field where the small operator tends to be pushed out.

4. The Leather Export Promotion Councils at Madras and Kanpur are assisting the industry in exporting their products. Dissemation of trade information, participation in international leather fairs, arranging for publicity in the foreign markets, sending study teams to various foreign countries to assess the potential for export of leather and leather products are some of the assistances rendered by these Councils.

5. The State Trading Corporation is also assisting in the export of Finished Leathers, footwear and some of the footwear components. These exports are at present mainly with the East European countries with whom we have bilaterial trade agreements. However it is likely that exports to this region may not rise as fast as in the past because of growing home industry. India has to look to other markets where considering various factors, growth rate in Indian exports will be slow in the initial years as we have to establish the market. The quality of our product should be improved and the prices to be made competitive in the international markets. Better quality lasts, finished leather and quality products of grinderies are to be supplied to the footwear units to improve the quality to the international standard. The materials could be supplied at reasonable prices through Sales Depots set up at important centres.

6. A high powered marketing organisation for Tamil Nadu on the lines of the State Trading Corporation may be set up to assist the units in marketing their product. Before formulating detailed strategy in the export market, a detailed market research and testing of the market would be necessary.

7. The study may be arranged in respect of the markets in West Europe, North America, Middle East and the rest of the world. For each region, distributors may be appointed for marketing the products. A few top class salesmen may be appointed who should continuously tour the markets, get the information and disseminate the same to the manufacturing units through the marketing corporation and also get overseas orders. After gaining some experience, a few foreign offices may be opened with show-room for

information, publicity, sales offices and depots for keeping stock of footwear for ready delivery. For success in European and American markets, it is necessary to be in constant touch with everchanging designs, fashions and other developments with regard to prices, materials used, tariffs, etc.

8. Besides, individual visits to foreign markets, study-*cum*-sales teams of manufacturers and technical persons should also be sent from time to time and a detailed report of the visit should be circulated for the benefit of all the manufacturing units. Publicity and advertisement of the products should be arranged in the foreign countries besides participation in all important World Trade Fairs.

(12) Utilisation of By-products in the Leather Industry.

The hide fleshings are valuable products which go into the manufacture of glue, edible and photographic gelatins. Hair goes into the making of felt and other materials. Out of leather waste which is mostly used for manuring purposes, leather boards of desirable strength, thickness and softness can be manufactured. Split pieces of leather can be converted into finished fancy leathers.

2. At present about 16 units in the unorganised sector and one unit in the organised sector are engaged in the production of glue in Tamil Nadu. Besides, in this State there is one unit for wool washing and another unit for leather board manufacturing.

Recommendations.

There is scope for starting a felt manufacturing unit in the small scale sector. Import of machinery required for this unit should be allowed.

(2) Slaughter houses should be modernised to enhance the value of the by-products so that the price structure of raw hides and skins can be stabilised.

(3) A plant may be set up to produce ready to wet hygienic sausage casings.

(13) Socio-economic Conditions of Workers in Leather Industry.

The majority of the labour force employed in the leather industry is very backward socially and economically. Improvements in their living and working conditions will not only improve their status in the society but will result in increased productivity in the industry.

2. Compared to the position prevalent two decades back, there is considerable improvement in the working conditions of the workers in many of the tanning units in Tamil Nadu. There is however much scope for improving the conditions further. The Minimum Wages Act should be implemented in full.

3. The workers are at present living in slums around the tanning units. The Slum Clearance Board of the State Government may set up suitable tenements and let them out to the workers at subsidised rent.

4. Modern improved tools and equipments may be provided to the workers to improve their efficiency and productivity. Workers may also be given periodic training in new job requirements as a consequence of adoption of latest techniques of production. Adoption of modern techniques should not be associated with resultant unemployment and hence the units should expand their work side by side to absorb the surplus labour.

5. There should be good labour-management relations in view of the perishable nature of raw hides and skins, prompt delivery schedules for exports, and non-transferability of the job of workers.

6. Self-employed persons in the leather industry should be given necessary financial assistance to set up their own units.

7. Tanning units should be assisted in the disposal of tannery effluents by the Government subsidies for setting up effluent disposal systems.

(14) Central and State Organisations and Other Undertakings in Tamil Nadu Exclusively Helping Leather Industry.

A list of Central and State Organiztions and other Undertakings in Tamil Nadu exclusively assisting leather industry is given in Annexure VI. The leather units are requested to take full advantage of the facilities.

PART III.

Financial Implications.

The financial implications of the various recommendations made in this report are briefly summarised below.

1. For modernisation and mechanisation of the existing tanning units in Tamil Nadu on a phased programme spread over 5 years, it has been suggested that each year, 50 existing units may be assisted in installing additional machinery for finishing operations. As it has been suggested that costly imported machines like splitting machine, hydraulic press, automatic spray equipment, etc., may be provided to a group of tanners through common service centres, additional machinery to the industrial units may be restricted to the simpler machines like setting, shaving, buffing, staking, glazing, etc., machines and provision for setting up drying chambers. These units have also to be provided with additional working capital assistance to these 250 units will be as follows :—

	(RUPEES IN CRORES.)
(*a*) Indigenous Machinery	2·00
(*b*) Imported Machinery	2·00
Working Capital	3·75
Total ..	7·75

2. To set up 10 new units for the production of finished leather in Tamil Nadu.

For each unit with an annual turnover of about Rs. 20 lakhs, the follwing investments are required :—

	(RUPEES IN LAKHS.)
Land and building	1·5
Machinery and equipment—	
Indigenous	2 0
Imported	4·5
Working capital	5·0
Total ..	13·0

The finance required for setting up 10 new units will be about Rs. 1·3 crores.

3. To set up common service centres for tanning and finishing at places like Pallavaram, Ranipet, Vaniyambadi, Ambur, Tiruchi, Dindigul, Pernambut, Melvisharam, Coimbatore and Madhavaram—

	(RUPEES IN LAKHS.)
Fixed capital—	
Land and building	5·0
Machinery and equipment—	
Indigenous	3·0
Imported	12·0
Working capital	2·5
Total ..	22·5

Finance required for setting up one common service centre for tanning will be about Rs. 22·5 lakhs and for 10 centres Rs. 2·25 crores.

4. To set up a Precision Shoe last Factory—

	(RUPEES IN LAKHS.)
Land and building	2·0
Machinery and equipment—	
Indigenous	1·0
Imported	4·0
Working capital	3·0
Total ..	10·0

5. To mechanise existing footwear units in Tamil Nadu—

There are about 60 small scale footwear units in Tamil Nadu which are at present having no machinery except sewing machines. To mechanise these units a sum of Rs. 40,000 is required for each unit to provide them with indigenous machinery worth Rs. 15,000 and imported machinery worth Rs. 25,000. Each unit may be provided with additional working capital of Rs. 40,000. The total finance required in this respect will be about Rs. 48 lakhs.

6. To set up 150 new footwear units for production of export quality footwear—

(*a*) To set up 50 units with a production of 100 pairs per day/shift—

	RS.
Fixed capital :—	
Land and building	50,000
Machinery and equipment—	
Indigenous	25,000
Imported	25,000
Working capital	1,00,000
Total ..	2,00,000

Finance required for setting up 50 new units with a production of 100 pairs/day/shift will be about Rs. 1 crore.

(*b*) To set up 50 new units with a production of 200 pairs/day/shift—

	RS.
Fixed capital—	
Land and building	75,000
Machinery and equipment—	
Indigenous	35,000
Imported	40,000
Working capital	2,00,000
Total ..	3,50,000

Finance required for setting up 50 new units with a production of 200 pairs/day/shift will be about Rs. 1·75 crores.

(*c*) To set up 50 new units with a production of 300 pairs/day/shift—

	RS.
Fixed capital—	
Land and building	1,00,000
Machinery and equipment—	
Indigenous	75,000
Imported	1,00,000
Working capital	3,00,000
Total ..	5,75,000

Finance required to set up 50 new units with a production of 300 pairs per day per shift will be about Rs. 2·875 crores.

7. To set up one large scale unit for producing one million pairs of footwear per annum exclusively for the export market—

Land and building	5,00,000
Machinery and equipment—	
Indigenous	5,00,000
Imported	10,00,000
Working capital	30,00,000
Total ..	50,00,000

8. To set up 50 leather goods manufacturing units with an annual capacity of Rs. 2 lakhs each —

	RS.
Land and building	75,000
Machinery and equipment—	
Indigenous	10,000
Imported	25,000
Working capital	40,000
Total ..	1,50,000

To set up 50 leather goods units with an annual turnover of Rs. 2 lakhs each, finance required will be about Rs. 75 lakhs.

9. To set up 6 units for manufacturing footballs/volley balls—

	RS.
Land and building	50,000
Machinery and equipment—	
Indigenous	8,000
Working capital	25,000
Total ..	83,000 for each unit.

Finance required to set up 6 units for football/volley ball will be about Rs. 5·0 lakhs.

10. To set up six units for the manufacture of cricket/hockey balls—

	RS.
Land and building	25,000
Machinery and equipment—	
Indigenous	8,000
Working capital	21,000
Total ..	54,000 for each unit.

Finance required to set up six units for cricket/hockey balls will be about Rs. 3·25 lakhs.

11. To set up three units for the manufacture of special types of sports shoes—

	RS.
Land and building	25,000
Machinery and equipment—	
Indigenous	8,300
Imported	8,000
Working capital	42,000
Total ..	83,300 for each unit.

Finance required to set up three units for special types of sports shoes will be about Rs. 2·5 lakhs.

12. To set up one Felt manufacturing unit—

	RS.
Land and building	1,00,000
Machinery and equipment—	
Indigenous	75,000
Imported	50,000
Working capital	75,000
Total ..	3,00,000

Finance required to set up one Felt manufacturing unit will be Rs. 3·0 lakhs.

13. To set up three units for ready to wet sausage casings—

	RS.
Land and building	33,000
Machinery and equipment—	
Indigenous	8,300
Imported	25,000
Working capital	50,000
Total ..	1,16,300 for each unit.

Finance required to set up 3 units will be about Rs. 3·5 lakhs.

14. To set up a functional Industrial Estate for Leather and Leather Goods Similar to the Madhavaram Industrial Estate :—

	RS.
Land (about 25 acres)	5,00,000
Factory sheds 10 Nos. with 3,000 sq.ft. area	7,50,000
Ten sheds with 5,000 sq.ft. area	12,50,000
Roads, water and power supply and other amenities ..	7,00,000
Total Capital expenditure	32,00,000
Recurring expenditure	3,00,000
Total ..	35,00,000

Finance required to set up two industrial estates will be Rs. 70 lakhs.

15. To set up a Marketing Organisation —

(1) for supply of raw materials and (2) for marketing the finished goods :—

	(RS. IN LAKHS.)
Fixed Capital	10
	(RS. IN CRORES.)
Working Capital	2

16. To set up five leather garments units :—

	RS.
For each unit—	
Land and Building	1,00,000
Machinery and Equipment—	
Indigenous	10,000
Imported	20.000
Working Capital	5,00,000
Total ..	6,30,000

Finance required for setting up five units will be Rs. 31·5 lakhs.

17. To set up five units manufacturing Leather Auxiliary Chemicals—

For each unit—

	RS.
Land and Building	1,00,000
Machinery and Equipment—	
Indigenous	3,00,000
Imported	1,00,000
Working Capital	5,00,000
Total ..	10,00,000

Finance required for setting up 5 units will be Rs. 50 lakhs.

18. To assist the existing units (about 10 units) manufacturing leather machinery, a sum of Rs. 70 lakhs will be required as follows :—

	RS.
Land and Building at Rs. 1 lakh each	10,00,000
Machinery and Equipments—	
Indigenous at Rs. 3 lakhs each	30,00,000
Working capital at Rs. 3 lakhs each	30,00,000
Total ..	70,00,000

ANNEXURE I.

EXPORT OF LEATHER AND LEATHER PRODUCTS. (VALUE IN RUPEES)

Serial Number (1)	Items. (2)	1965–66. (3)	1966–67. (4)	1967–68. (5)	1968–69. (6)	1969–70. (7)	1970–71. (8)
I	Raw skins	7.48,28,858	14,93,49,073	6,87,97,340	4,73,83,331	7,00,46,288	2,91,69,600
II	Pickled Goatskins	2,36,57,969	74,70,340	62,65,953	47,13,516	1,44,10,073	86,94,808
III	E.I. Tanned Buff hide	16,25,740	27,17,581	22,04,760	56,05,796	39,00,827	16,13,330
	Cow hide	3,16,57,461	4,89,94,600	4,12,60,193	6,15,12,462	5,78,08,407	5,54,29,577
	Kips	6,72,350	8,30,482	1,77,900	1,99,745	70,886	7,860
	Buff calf	1,44,70,943	3,01,25,679	3,10,62,682	3,38,71,846	3,66,98,876	2,95,26,849
	Cow calf	77,36,793	1,53,16,170	1,64,93,008	1,93,36,834	1,68,85,115	1,88,74,985
	Goat skin	12,19,71,008	16,92,70,394	12,40,24,082	21,54,35,754	22,83,98,740	20,28,96,073
	Sheep skin	7,63,08,122	14,55,71,050	13,25,25,940	15,92,99,991	15,30,42,506	13,56,52,357
IV	Wet Blue hide	8,01,378	11,02,740	46,97,974	53,86,219	1,08,94,010	1,01,21,158
	Goat skin	35,27,552	12,81,34,528	12,31,55,387	16,90,84,777	24,95,36,767	22,03,25,03
	Sheep skin	..	..	46,92,678	64,58,328	1,15,31,025	1,45,13,864
V	Tanned Reptiles	92,52,188	1,90,58,837	3,59,39,463	2,74,73,792	1,40,01,835	76,24,969
	Furs	1,02,028	4,80,050	1,07,315	5,03,389	22,63,077	1,24,019
VI	Finished leathers	1,51,22,924	1,98,14,759	1,59,22,211	1,62,38,541	2,25,39,775	1,92,90,508
VII	Footwear	4,30,30,444	6,69,44,971	7,51,78,938	7,10,37,896	7,03,35,711	9,01,19,159
VIII	Leather goods	89,158	11,56,893	17,97,406	39,12,605	91,31,188	93,53,634
IX	Leather Manufacture	22,85,504	22,44,542	22,70,981	62,33,501	69,21,120	54,95,984
X	Sports Goods	5,43,116	7,82,707	9,26,875	12,84,003	12,29,830	20,60,814
	Total	42,74,03,667	80,93,65,441	68,81,45,992	85,59,89,465	97,96,46,056	86,16,94,587
	Tanning Materials	61,72,151	50,42,654	39,56,805	35,17,225	57,09,991	57,32,363
	Tanning Machinery	1,92,887	2,75,547	94,941	69,070	2,25,048	3,26,611
	Grand Total	43,37,68,705	81,46,83,642	69,21,97,738	85,95,75,760	98,55,81,095	86,77,53,567

ANNEXURE II.

LIVESTOCK RESOURCES—TAMIL NADU AND ALL-INDIA.

	Tamil Nadu.			All-India.			Tamil Nadu as percentage of All-India.	
	1961.	1966.	*Percentage increase or decrease.*	1961.	1966.	*Percentage increase or decrease.*	1961.	1966.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Cattle	10,826	10,859	0·30	17,557	1,75,520	—·02	6·17	6·19
Buffaloes	2,594	2,724	5·01	51,208	52,865	3·24	5·07	5·15
Sheep	7,160	6,421	—10·32	40,223	42,822	6·46	17·10	14·99
Goats	3,429	3,771	9·97	60,864	64,737	6·36	5·63	5·83
Horses and Ponies ..	20	17	—15·00	1,327	1,156	—22·89	1·51	1·47
Pigs	502	475	—5·38	5,177	4,966	—4·08	9·70	9·57
Others	108	302	179·36	2,076	2,263	9·00	5·20	13·35
Total	24,639	24,569	—0·28	3,36,432	3,44,329	2·35	7·24	7·14

Source—Wealth of India).

MADURAI

ANNEXURE III.

REQUIREMENTS OF CHEMICALS AND LEATHER AUXILIARIES BY THE LEATHER INDUSTRY IN THE NEXT 15 YEARS IN TAMIL NADU STATE.

1. *Wetting agents and soak aids.*—No production and consumption figures are available. Wetting agents are rarely used for soaking wet-salted goods except in summer. For dry and dry salted material it is a necessity. Roughly about 40 per cent of the goods will require the use of this chemical. The needs of Tamil Nadu will be 130—150 tonnes annually. There are a number of firms making a vareity of these agents in our country and to-day there is a glut in their availability. Current consumption may be around 50—60 tonnes. Infrastructure and raw materials are available. It may be noted that the rural tanners will not use this material.

2. *Preservatives.*—Preservatives consist, of chlorine chlorinated phenols and mercury compounds. Consumption of this auxiliary will be of the same order as soaking agents (130—150 tonnes). Infrastructure is available. Mercury compounds have to be imported. Often, Phenol is in short supply. In any case chlorine is available in plenty and can readily take the place of the more expensive and sophisticated preservatives which can be diverted for permanent preservation of blue chrome.

3. *Sodium sulphide.*—Taking consumption as 2 per cent on raw weight, the needs of Tamil Nadu will work out to 5,000 tonnes. It is presumed that the rural tanners will not be using sulphide. Indigenous sources can take care of the supply as we have sufficient sources of Barytes.

4. *Dimethylamine sulphate and sodium sulphydrate.*—These are sophisticated unhairing agents and will work out to about 10 per cent of the sulphide consumption. 500 tonnes may be needed. They are to be imported as the know-how and infrastructure are not available.

5. *Lime.*—On the average 10 per cent will be required. This will be consumed by the rural as well as the urban tanneries. 27,000 tonnes will be the consumption figure for Tamil Nadu. Seashell and lime-stone resources are adequate to meet the demand.

6. *Caustic soda and soda ash.*—These are only optional and consumption may work around 0·1 per cent. Needs will be approximately 250 tonnes annually. Infrastructure and basic materials exist. Supply position, however, is uncertain as demand usually exceeds supply.

7. *Delimers.*—Ammonium salts, sulphuric acid, hydrochloric acid, acetic acid, boric acid, etc., 0·75 per cent will be the approximate average consumption. 2,000 tonnes will be required. Barring sulphuric acid and boric acid domestic production can cater to the needs.

8. *Bates.*—Annual requirement will be 900 tonnes. Import of enzymes will have to be done. Pancreas is not available in required quantities. Even if the slaughter houses are organised, the pharmaceutical industry's needs will gain first priority. There is scope for developing self-dependence in this field.

9. *Nonionic scouring agents.*—Consumption will be 0·1 per cent and may work out to 90—100 tonnes. These are being made in good quantities and no difficulty is envisaged in meeting the demand.

10. *Bleaching agents, sodium chlorite, permanganate, etc.*—At the moment trade is not aware of the potentiality of these chemicals. When more and more sophisticated leathers are being made these will have to be used extensively. 50—100 tonnes will be required. At least 50 tonnes of sodium chlorite will have to be imported. Permanganate is indigenously available.

11. *Pickling acids.*—Sulphuric, Hydrochloric, Formic, Acetic and Phthalic acids are used. 2,500 tonnes of mineral acids and 500 tonnes of organic acids may be required. In times of emergency we may have to concentrate on use of Hydrochloric and acetic acids. Formic and phthalic acids are made in India in small quantities but they have to be imported for some time to come yet.

12. *Common salt.*—No dearth of common salt in view of our long coastal line.

13. *Pretanning agents.*—Five hundred tonnes will be the need. The infrastructure is present. Availability of phenol, naphthalene, etc., is the problem. This has to be supplemented by sulphite cellulose. The Neyveli phenols have a poor colour and have to be refined. This problem should be looked into.

14. *Tanning agent.*—Tamil Nadu's requirements will be 30,000 tonnes. This has to be supplemented by domestic materials.

15. *Wattle extract.*—Imports cannot be avoided for the next 10 years.

16. *Myrob.*—The quantity of high quality myrob will be the same, viz. 30,000 tonnes This quantity is not available in Tamil Nadu itself.

17. *Oils.*—Consumption of bongam, gingelly and groundnut oils will be of the order of 10,000 tonnes. Current consumption may be 5,000 tonnes. As natural fat will be more difficult to procure in the required quantity in future, mineral sources will have to be tapped. These should not interfere with the subsequent dressing operations.

18. *Chrome tanning agents, etc.*—8000—9,000 tonnes will be required. Current-consumption may be 5,000 tonnes. Infrastructure for making the extract is available. There is room for setting up one or two more units.

19. *Soda aah, Soda bicarb.*—1,000—1,200 tonnes will be needed. Infrastructure exists.

20. *Calcium-formate, Sodium-formate, etc.*—Five hundred tonnes will be our requirements. Calcium-formate is being imported.

21. *Retanning and Resin materials.*—1,000–1,500 tonnes will be the ultimate consumption. Now only 100–200 tonnes are being used. These are mainly syntans. White syntans may have to be imported to the tune of 100—200 tonnes. So also shrunken grain syntans, chrome syntans. The quantity required may work out to 200 tonnes. Indigenous know-how being developed for these products.

22. *Fatliquors.*—Five thousand tonnes are envisaged as our needs. At the moment only 1,000 tonnes are being consumed. Raw oils like neatsfoot and sperm should be imported. Synthetic fatliquors may have to be imported. Sulphonated mineral oils from indigenous sources should be developed.

23. *Synthetic resins.*—Present consumption around 300 tonnes. Ultimate requirements will be 1,000 tonnes. Infrastructure available but raw material will have to be imported.

24. *Casein.*—Seventy-five and Hundred tonnes will be needed. Indigenous casein of suitable quality not freely available. It will have to be imported.

25. *Pigment finishes.*—Microfine pigment pastes may have to be imported. Requirements will be 500–1,000 tonnes. Infrastructure and know-how available. Fine pigments will have to be imported.

26. *Dyes.*—The requirements will be 200 tonnes. Current consumption will be 10–15 tonnes. Infrastructure present. Raw materials and intermediates to be imported.

27. *Lacquers and emulsion.*—Requirements will be 200–300 tonnes. Infrastructure available. N.C. and solvents will have to be imported.

28. *Urethane, Peral and Metallic finishes.*—Requirements will be 20–50 tonnes. Have to be imported.

29. *Metallic foils.*—3–5 lakh square feet. Will have to be imported.

30. *Plush cloth.*—Ten thousand square metres.

ANNEXURE IV.

List of Simple and Mechanical Tanning Machinery Manufactured Indigenously.

Tanning Machinery :—

1 Mechanical Sole Leather Rolling Machine for light leather.
2 Single Width Mechanical Shaving Machine.
3 Boarding and Softening Machine.
4 Inclined—Bed Glazing Machine.
5 Level—Bed Glazing Machine.
6 Reptile Glazing Machine.
7 Simple Staking Machine (Slocombe type but not Schodel, Mollisa and Luneteuse type).
8 Single Width Buffing Machine.
9 Jack Setting Machine.
10 Wooden Paddle.
11 Wooden Drum.
12 Fleshing Machine 48" and 60" mechanical simple type.
13 Simple Setting out Machine.
14 Band Soudding Machine.
15 All types of Drum (except Laboratory type)

ANNEXURE IV—*cont.*

LIST OF SIMPLE MECHANICAL AND HAND OPERATED FOOTWEAR AND LEATHER GOODS MACHINERY.

1 Sole Leather Splitting Machine 9″ knife streight knife, hand or power.
2 Sole Leather Splitting machine 12″ Splitting knife, motorised.
3 Spliting knife Grinding Machine, motorised.
4 Seam Rubbing Tool Hand operated.
5 Lasting Jack, Revolving type, hand operated.
6 Grading pantograph, hand operated.
7 Pattern Shear, hand operated.
8 Pattern Vice, hand operated.
9 Cementing Presses for suck-on shoes, Pneumatic two bends, four bends etc.
10 Combined Finishing machines.
11 Trimming Machines for sole and heel trimming.
12 Strap Lace cutting machine hand and power operated.
13 Sole stamping machines, simple.
14 Electrically heated embossing and printing machine.
15 Sole mechanical leather cutting machine.
16 Upper cutting press mechanical.
17 Rand Laying machine.
18 Heavy duty twin clicker mechanical.
19 Foxing Extruder.
20 Insole and Upper cementing machine.
21 Heel waist trimming machine.
22 Unlasting machine ponumatic and mechanical.
23 Toe Puff Air Press.
24 Edge Trimming machine.
25 Scouring machine.
26 Welt beating and Slashing machine.
27 Sole Polishing machine.
28 Hot Air Blower.
29 Insole Punching machine.
30 Eyeletting machine, hand operated.

Source: Report of the Leather and Leather Goods Machinery Sub-Committee of the Development Council for Leather and Leather Goods Industries.

ANNEXURE V.

THE REQUIREMENTS OF FOOTWEAR MACHINERY DURING THE FOURTH PLAN PERIOD HAS BEEN WORKED OUT AS UNDER.

Description.	*Nos.*
Heavy Duty Pattern Shears	30
Pattern Vices	30
Grading Pentographs	30
Pattern Strip forming machines	30

ANNEXURE V—*cont.*

Description.	*Nos.*
Pattern Binding machines	30
Strap Cutting machines	30
Tradle Punching and Eyeletting machines	30
Strap Folding machines	30
Designers outfits	30
Sets of hand tools	30
Skiving machines	100
Clicking machines	100
Upper Stamping machines	30
Upper Folding machines	60
Upper Perforating machines	30
Insole Covering machines	30
Gimping and Pincking machines	30
Upper Edge Burnishing machines	30
Seam Rubbing machines	60
Cementing machines	30
Counter Inserting machines	30
Counter Shaping machines	30
Industrial Sewing machines of various types	700
Heavy duty bottom clicking presses	30
Bottom components clicking machines	30
Insole slashing machines	30
Insole rib forming machines	30
Insole Channalling machines	30
Insole Cementing machines	30
Sole roughening machines	30
Welt cutting machines	30
Welt grooving machines	30
Insole moulding machines	30
Counter and toe puff moulding machines	30
Heel compressing machines	30
Slugging machines	30
Insole tacking machines	30
Pulling over machines	30
Pulling over and cement lasting machines	30
Console lasting machines	30
Bed lasting machines	30
Staple side lasting machines	30
Kamborian lasting machines	30
In-seam trimming machines	30
Upper edge roughbning machines	30
Rough rounding machines	30
Outsole stitching machines	30
Channel closing machines	30

ANNEXURE V—*cont.*

Description	*Numbers.*
Sole cementing machines	30
Heel Breasting machines	30
Heel Setting machines	30
Heel Seat Lasting machines	30
Sole Scouring machines	30
Heel Attaching machines	30
Welt beating machines	30
Unlasting machines	30
Mckay Stitching machines	30
Air Pressure—Stuck on Presses	30
Pounding up machines	30
Automatic Punching and Eyeletting machines ..	30
Overflow trimming machines	30
Lasted Upper Edge Roughning machines ..	30
Edge setting and colouring machines	30
Outside Heel attaching machines	30
Band knife Splitting machines	30
High-speed Edge trimming machines	60
High-speed Heel trimming machines	60
Scouring machines	60
Brushing machines	60
Stitch separating machines	30
Hot Air blowers	60
Foam Rubber vulcanising presses DVP ..	200
Hard Vulcanising (Rubber) Presses DVP Injection ..	100
PVC Shoe Bottom/machines (Four and six stations) ..	50
String lasting machines	60

Source : Report of the Leather and Leather Goods Machinery Sub-Committee of the Development Council for Leather and Leather Goods Industries.

ANNEXURE VI

CENTRAL AND STATE INSTITUTIONS AND OTHER UNDERTAKINGS IN TAMIL NADU EXCLUSIVELY HELPING LEATHER INDUSTRY.

Name and address.	*Nature of Assistance.*
1 Central Leather Research Institute, Adyar, Madras.	1 Research. 2 Training. 3 Extension work. 4 Testing facilities.
2 Institute of Leather Technology, Adyar.	Diploma Course in Tanning, footwear and leather goods.
3 Leather Export Promotion Council, Madras-3.	Export promotion in respect of E.I. tanned leather.

ANNEXURE VI—*cont.*

Name and Address.	*Nature of Assistance.*
4 Export Promotion Council for Finished Leather and Leather Manufacturers, Madras.	Export promotion for finished leather, footwear leather goods and leather manufacturers.
5 Central Footwear Training Centre, Madras-32.	1 Training in footwear production on modern methods. 2 Training in supervisory and managerial personnel in all aspects of production and management including Business Management, cost accounting. 3 Introduction of simple and inexpensive but essential modern machines (hand and power operated) tools and equipment suitable for small scale footwear units. 4 Utilisation of fully and economically the indigenous resources like leather grinders. 5 Improving the quality design and finish of western and indigenous types of footwear.
6 Leather Finishing Centre, Erode ..	Servicing Centre for Leather Finishing.
7 Production Centres run by the Corporation (TANSI).	Tamil Nadu State Small Industries.
(i) Tanning and Finishing unit, Vinnamangalam.	Tanning and finishing.
(ii) Footwear units at Perambur, Pallavaram and Madhavaram.	Footwear manufacturing.

8. *List of Units functioning in the Industrial Estate for Leather and Leather Goods, Madhavaram.*

Name of the unit.	*Items manufactured.*
1 Messrs. Onward Trading Co.	Chappals, leather goods.
2 Messrs. Sreenivasa Industrial Corporation	Clothing leathers.
3 Messrs. Leather Export House (India) Pvt. Ltd.	Do.
4 Messrs. Sreedharan & Co.	Do.
5 Messrs. Srinivasan & Co.	Do.
6 Messrs. Rub Industries	Microcellular Rubber sheets.
7 Messrs. Airlite Industries	Do.
8 Messrs. Shaw Rubber Works	Do.
9 Messrs. Robbin Associates	Cow boy uppers.
10 Messrs. General Leather Export Co. ..	Finishing of Reptile Skins.
11 Messrs. T. K. & Sons	Do.
12 Messrs. M. S. Raghavan & Co.	Fancy leather goods.
13 Messrs. Right Footwear	Leather Footwear.
14 Messrs. Pearl Leather Works	Cycle Saddle tops.
15 Messrs. Leather Aids & Auxiliaries ..	Fatliquors.